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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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9 August 1985

EAST EUROPE REPORT

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INTERNATIONAL AFFAIRS

USSR-GDR COOPERATION IN TRANSPORTATION DETAILED

East Berlin DDR-VERKEHR in German Vol 18 No 5, May 85 pp 136-138

[Article by Heinz Gerber, deputy minister for transportation of the GDR: "Cooperation in Transportation Between the GDR and the USSR - Results and Outlook"]

[Text] Many of our citizens have spoken out on the occasion of the 40th anniversary of the victory over Hitler fascism, wishing to express their appreciation of this day's great historic significance. They coupled this with their feeling of profound respect for the Soviet people who, as the main force of the anti-Hitler coalition, fought for victory on the decisive fronts of World War II and offered the greatest sacrifices. Both the act of liberation and the subsequent selfless and extensive reconstruction aid provided have left an inextinguishable mark in the hearts of the people of the GDR and created indestructible ties with Lenin's country. The GDR's political stability and economic dynamism are largely based on this fact. At the Tenth SED Congress, Erich Honecker, SED CC general secretary, stressed this when he said "the indestructible fraternal alliance with the Soviet Union...is and continues forever the stable basis of our people's security and its successes in the organization of the developed socialist society."(1)

Acknowledging the many years of friendly relations within their total societal framework which encompasses all branches and spheres of social life, the SED CC general secretary lately also emphasized in his report to the first kreis secretaries that "close and all-round cooperation with the USSR represents the unshakable basis for the successful advance of socialism in our country."(2) Transportation relations are included in this all-round cooperation, and I want to avail myself of this occasion to assess and evaluate its present status and prospects. I will show that the status of fraternal cooperation in transportation also provides eloquent witness of the fundamental soundness of our social development.

The many day-to-day experiences of international cooperation are deeply rooted in the time immediately following our liberation, when the people working in transportation began to remove the debris of war and repair destroyed facilities and vehicles so as to gradually allow scheduled services to resume. Even in those days of hardship, Soviet class comrades assisted us by word and

deed. We all know many practical examples of their direct management of transportation and transport organization. In the 1950's, we benefited from the experiences of Soviet railroaders when the GDR Railroad introduced the dispatcher service. This decisive operational management and control tool has become indispensable to the day-to-day operation of the railroad and continues to be highly efficient, albeit with a lot of further developments and improvements.

Subsequently, at the time of the cold war and extensive disruptions of our socialist construction, the rapid provision of efficient transport equipment for our transport system was a basic prerequisite for developing our economy from the aspect of transportation. The international situation bade us not to allow ourselves to be dependent on the economies of capitalist countries. Once again, Soviet equipment, diesel engines, aircraft, passenger cars and trucks, supplied us with the mobility indispensable to a modern economy. Included in this aid was the training of skilled labor and the availability of the appropriate manuals for maintenance and repairs. Another reflection of the Soviet Union's internationalist attitude was its political assistance and backing at a time when important imperialist circles still believed themselves able to stop socialism's victorious advance in our country by refusing to acknowledge the GDR's national sovereignty. With the aid of the Soviet Union and the community of socialist nations, the GDR achieved much in foreign policy within the framework of multilateral international relations. At the time, this also had many positive effects as regards international transportation relations. Lastly, this solidarity made it possible for state treaties to be concluded, which were crucial for the practical organization of international traffic, and for orderly and official contractual relations to be achieved with important partners on that basis.

In the light of the 40th anniversary of our liberation and the current status and prospects of cooperation with the Soviet Union in the field of transportation, it is particularly important to remember the dimensions of this all-encompassing aid and cooperation. Failing such recall, the sociopolitical appraisal of the figures, data and events involved in our development cannot be complete.

Ever since the first years of a difficult beginning, we recorded a steady process of quantitative growth and qualitative deepening in the cooperation of our two countries even with regard to transportation.

Foreign trade grew around 30-fold in the period 1950-1980, a tremendous advance, even when the statistical base of assessment is represented by current prices. When comparing only the periods of the last 5-year plans, the volume rose from 99 billion valuta marks in 1971-1975 to more than 177 valuta marks in 1976-1980 and 231 billion valuta marks in the 4 years of the current 5-year plan so far reported.

The practical dimensions involved here are demonstrated by some data regarding the annual volume of USSR deliveries to the GDR in 1981-1985 (3): 17 million tons crude oil, 3.3 million tons rolled steel, 1.4 million cubic meters lumber, 740,000 tons pulp and 82,000 tons cotton. There are also ores, coal, coke and other bulk freight. Of course this development is matched by the

volume of the flow of freight between the USSR and the GDR. This is reflected in the respective services of the carriers as well as in the increase in trains passing over the border with the People's Republic of Poland or the ships of Soviet registry in GDR ports. The latter rose from 320 units in 1960 to 1,082 units in 1983.

These transportation relations represent the biggest and most stable international traffic for the GDR and also one of the biggest international flows of freight between two countries in Europe as a whole.

Of course, both parties were most interested from the beginning in organizing this traffic as rationally and efficiently as possible. This ambition of the two partners is taken into account within the framework of the total system of plan coordination by the CEMA member countries. In this framework are drafted the forecasts of the likely development of the flow of freight, for example, 5-year plans coordinated by transport volumes and basic measures of transport security carried out. Transport volumes are recorded each year, taking into account actual foreign trade delivery and performance contracts, including the distribution of freight on carriers and routes.

All basic issues of efficient traffic organization are constantly coordinated by the appropriate bodies and carried out in practice. Obviously the steady enforcement of the best possible distribution of transport to the most economical carriers represents one cornerstone of this coordination. Due to the given geographical conditions and the economic benefits of shipping, this includes the stipulation of the respective optimum involvement of maritime shipping in USSR-GDR relations. Accordingly, maritime shipping increased its performance within the framework of total traffic by 56 percent in 1976-1984, for example, and in the same period of time raised its share from 38.9 percent to 59.1 percent (excluding pipeline transports).

This economically beneficial development is based on our general and close cooperation with regard to transportation policy, in the framework of which all those contractual agreements have arisen that provide its stability. The treaty on cooperation in maritime shipping, for example, was concluded as long ago as 27 September 1957. Following it, other treaty bases arose, relating to specific types of traffic. These need to be further developed and used in future within the framework of shipping. They include, for example, the agreement with the USSR Ministry for Inland Navigation on the safety and further development of the deployment of sea-going inland water craft. Their use allows transshipment costs to be lowered by exploiting the benefits of sea routes. Also included is the agreement between the GDR Ministry for Transportation and the USSR Ministry of Maritime Fleet on shipping freight in containers by international and combined railroad-sea freight traffic between the GDR and the USSR (ESGA) of 6 June 1976. This agreement provides a firm legal-organizational framework for the growing volume of container transport in bilateral traffic including the sea route.

In this context, the development of container traffic, in particular, shows that the widespread rationalization effects of container traffic are being extensively developed in this traffic also. In terms of exports alone, this joint rail-sea traffic has grown to 316 percent in 1980-1983 and now accounts

for more than 3.4 percent of the GDR's total container traffic with the CEMA member countries. Additionally there is a relatively important middle-level container traffic relating to other types of freight. This is carried out on the basis of firm special contractual arrangements.

Lastly let me point out in this connection that this long-range traffic policy regarding the increased use of maritime shipping (which is most advantageous in economic terms for many types of freight) has also resulted in the government agreement of 18 June 1982 on the institution of railroad ferry traffic between the two countries.

The status and prospects of bilateral cooperation in the interest of the greatest possible efficiency in handling the large volume of transports are made especially obvious by this example. Various measures adopted by both parties serve to introduce highly productive equipment which will result in the decisive shortening of transport delays and the reduction of transshipment costs.

Of course, rationalization and efficiency are also kept to the fore by many current and detailed coordinations and regulations in specific spheres, such as the increased use of Soviet freight cars to avoid transshipment between wide and normal gauge tracks and the rationalization of ship movements by using the possibilities offered by telematics.

Experiences are being exchanged and information provided in other fields of scientific-technical cooperation. The aim here is to make for the fastest possible application in the day-to-day operations of both countries. In acknowledgment of the fact that the exchange of experiences still represents the cheapest form of investment, and that common international efforts help even more emphatically and purposefully to realize the development of science and technology as a productive force, intimate international cooperation in the scientific-technical sphere has been organized and contractually agreed for many years.

Contacts have been steadily expanded since the 1951 government agreement on scientific-technical cooperation. A special planning framework was provided in the field of transportation, involving a total of six USSR ministries. By 1984, 50 sets of documents had been exchanged, some 20 conferences held and 27 research and development topics processed jointly. The subject matter ranged very widely and affected the most varied aspects of the reproduction process of transportation. In the field of railroad traffic, it included (among others) anticorrosion measures for freight cars and railroad poles based on the use of polymer based paints (found to be extremely useful in the GDR in 1984), tests of new types of prestressed concrete ties with special peg inserts, tests of new switch designs or the work on nonmechanical refrigeration systems in refrigerated railroad vehicles. Definitely worth mentioning on the research side are the preparations for the establishment of the ferry link between the GDR and the USSR as well as many lesser topics.

In the field of inland shipping, new icebreaking pontoons have been introduced, principles for the optimization of the traffic system drafted and studies carried out on the interaction ship - canal.

As for maritime shipping, problems involving the development of new fuels and lubricants are being worked on, new loading equipment for sea port handling is being tested and the feasibility of automating marine radio services by microelectronic device systems studied. Laboratory models of such devices are being developed and tested. Work is also proceeding on the perfection of maintenance equipment for truck types used in both countries.

These examples are representative of many other activities. They demonstrate that concrete key points regarding issues of interest to both countries are being tackled resolutely and solutions approached. At the same time, it is increasingly evident that GDR-USSR cooperation serves more than the common interests of the two partners. Many results are also used within the framework of multilateral cooperation in CEMA. GDR and USSR engineers joined forces to carry on general developments relating to the search for more efficient motor fuel mixtures (water-motor fuel emulsion). Significant initiatives in the sphere of robot equipment and the use of microprocessor application in transportation are also based on the knowledge acquired and the potentials of both countries.

Dr Guenter Mittag, Politburo member, noted "that GDR-USSR cooperation proceeds in many fields at the frontline of scientific-technical progress, while new tasks for the further advance of economic and scientific-technical cooperation among the countries of socialism and, therefore, the GDR and the USSR, arise from the CEMA member countries' economic summit." (4) This statement certainly applies to transportation, too.

These measures and tasks are thus an organizational element in the general and wide ranging scientific-technical cooperation with the Soviet Union as a decisive development trend in the process of the steadily closer interweaving of the two countries' intellectual and material potentials. Assuming that the future economic development in both countries will be decisively affected by the pursuit of intensification, all branches and sectors are bound to focus on the demand for the extensive conservation of energy and materials, the most rational utilization of natural resources coupled with the greatest possible protection of the environment. It is therefore imperative for scientific-technical cooperation to expand the arsenal of new processes, technologies and equipment for these tasks and to jointly create all the prerequisites for their comprehensive application in the respective national economies.

The intimate and fraternal cooperation between the GDR and the USSR outlined here is backed by all working people in our republic's transportation system. The party organizations and, in the railroad system especially, the organs of the political administration carry out extensive ideological work to deepen friendship and cooperation based on the many good experiences gained.

This is documented by many reports and examples, such as the travel of meritorious citizens of our country to the USSR by means of the friendship trains. These serve the intensification of contacts, the direct exchange of

experiences and the establishment of personal relations. We also have the "bridge of friendship" between working people in GDR ports and the Baltic and White Sea ports of the USSR. This institution has lately celebrated its 10th anniversary. Another example is the friendship route "Interflug - Aeroflot."

Of course close relations and contacts also prevail at the ministerial level, cemented by many working relations.

The description of the current status of GDR-USSR cooperation in transportation also serves to outline the substance and direction of future efforts and developments with regard to these relations.

At the end of 1984, Erich Honecker and Andrei Gromyko signed the agreement on the long-range program of cooperation between the GDR and the USSR through the year 2000.(5) This represented a historic step toward the even more intensive interlinking of our countries' national economies in all their branches and sectors, including transportation. The program is a basic directive, based on the scientific-technical potential available in both countries as well as on the results of our successful cooperation in the past. In accordance with the decisions adopted by the CEMA member countries' economic summit, it serves to provide a coordinated contribution to the deepening of socialist economic integration and, therefore, the further deepening of intensification in the national economies of both countries as well as all other CEMA member countries.

We are now confronted with the task of applying this program in the various sectors and, consequently, of establishing the specific key points of our relations concerning reproduction in transportation and of providing coordinated and agreed-on documents. We are currently working on this task. The basic outlines are quite clear, in particular

- The intensive cooperation of both countries in multilateral CEMA bodies for emphasizing the development of infrastructures at high capacity main routes for the railroad and road traffic,

- The guarantee of the increasing capacity of the sea route, specially by coordinated developments of the ports and the beginning of ferry traffic,

- The resolute pursuit of joint efforts toward further bilateral and multilateral methods relative to the organization of optimum use of mobile transport capacities in rail, marine and road traffic as well as container utilization,

- The intensification of scientific-technical cooperation, profiting from the opportunities for using new equipment and process technologies of general basic development and various branches of transportation for the purpose of a further and constant rationalization.

International cooperation relating to this basic directions will further deepen all-round socialist economic integration and develop even more completely the motivating forces germane to socialism.

The prospects of the further development and organization of relations in transportation rest on the firm foundation of our experiences and results. At the Tenth SED Congress, Erich Honecker, SED CC general secretary, characterized it as follows: "The peoples of the Soviet Union and the German Democratic Republic have indeed become allies, comrades-at-arms and friends...This fraternal alliance is a great revolutionary achievement and eternally indestructible."(6)

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- (3) Mittag, G.: "Economic and Scientific-Technical Cooperation with the Country of Red October," EINHEIT No 11/1984, p 976.
- (4) Ibid, p 979.
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INTERNATIONAL AFFAIRS

WESTERN CREDIT POLICY CHANGE SOUGHT

West Berlin IWE TAGESDIENST in German No 92, 22 Jun 85 pp 1-2

[Article datelined IWE Berlin 22 Jun 85: "East Berlin Calls for the West To Normalize Its Credit Policies"]

[Text] East Berlin has now requested the Western industrial nations to normalize their credit policies toward the socialist countries, whose credit worthiness it pointed out. In the most recent issue of its house organ, the East Berlin Institute for International Politics and Economics (IPW) emphasized that "the development of normal credit relations" is among the important factors "for stimulating economic relations between CEMA countries and capitalist industrial nations, and for efficiently and effectively forming them to mutual advantage." The "discriminatory practices" of Western nations in granting credits not only disrupt East-West economic relations, but "clearly [contradict] the stipulations of the CSCE final accords" reached in Helsinki. It was also said that the practices could not be justified on the basis of the CEMA countries' indebtedness. The East Berlin institute stressed that the CEMA member states' credit balances with Western banks had risen to nearly \$22 billion by the end of September 1984, and that their obligations had been "significantly reduced." The 100-percent credit worthiness of the GDR is generally recognized, it was stated.

In the West, the perception had thus grown "that the displacement of credit from its role as a normal instrument of trade [is] an extremely counter-productive business arrangement under the current conditions of international economics." The "credit blockade" started by the United States against the socialist states is, to be sure, not yet overcome, but "capitalist banks' increasing interest in restoring normal business relations [is] clearly perceptible." In the view of the East Berlin institute, "the speed at which and the extent to which credit resumes operating as a normal instrument of trade in East-West economic relations" ultimately depends "very decidedly on the development of overall political conditions, on the validity of the principle of mutually advantageous trade under equal rights, and on the attitude of banks and governments." The East Berlin institute conceded that the utilization of external sources of credit has "an appropriate place in strengthening the economic power of the socialist countries."

ALBANIA

NEED TO IMPROVE QUALITY, RANGE OF EXPORTS

Tirana RRUGA E PARTISE in Albanian Mar 85 pp 16-24

[Article by Pajtin Ajazi and Dervish Gjiriti: "The Utilization of the Possibilities for Increasing Exports Requires Persistent and Coordinated Work Based on Complex Studies"]

[Text] The consistent execution of the party guideline that "Without export there is no import" has been and is continually at the foundation of the activity of our foreign trade. The implementation of this guideline responds to the practical execution of the principle of reliance on one own's forces, on our material and financial resources in general and, especially on monetary resources. The priority of export over import stems from the priority of production over consumption. Just as there is no consumption without production, so there is no import without export; therefore, the necessary funds cannot be guaranteed for importing those goods that are essential for the development of the economy, for advancing the process of expanded socialist reproduction, for strengthening the material and technical base of the economy and for providing some of the needs of the working masses. This is why the Eighth Party Congress stressed that the issues of foreign trade, of export and import, be handled as a unit, always giving priority to export. It is from this vantage point that we must understand and analyze Comrade Enver Hoxha's recommendation that, in the present conditions, "The issue of increasing export rates assumes a special meaning and importance" (Enver Hoxha, "For the Seventh Five Year Plan." f. 12).

Thanks to a continuing political-ideological work undertaken by the organs, organizations and levers of the party for understanding and implementing these directives and recommendations, correct concepts are being instilled better and better in the minds of the people on the need to increase exports and organizational, technical and technological measures are being executed in order to invigorate exports. The fact that for some years, a balance has been established between exports and essential imports is a positive sign. Nevertheless, there are still cases indicating that some economic enterprises, districts and central departments are making demands for imported materials without fulfilling their export tasks; this manifestation shows that not all correctly understand and evaluate the party recommendation that first if you do not give to society goods for export, society cannot find the necessary hard currency to bring from import the goods that are needed for expanded

socialist reproduction. Maintaining equilibrium between exports and imports is an essential requirement; this, however, is achieved only when every economic link fulfills its export plan tasks regularly and according to planned assortments and quality.

Providing goods for export on time and in quantity and quality--the main way to improve the effectiveness of exports.

As stressed at the Ninth Plenum of the Party Central Committee, in order to improve the effectiveness of exports, both producers and foreign trade organs must attach great importance not only to the supplying of the quantity of goods for export, but also to their quality, and not only to their overall production, but also to their assortments, and to the deadline for the delivery of goods. In this framework, the fulfillment one hundred percent of the production tasks for export and the transport of goods to their destination, according to contracts with foreign firms, constitute some of the most important indicators for increasing effectiveness in the field of export.

The positive experience of some enterprises shows that, where the clarifying and convincing political and ideological work with the masses is accompanied by organizational measures for providing raw materials, for selecting them and for executing technological processes with care and so forth, there achievements were good both in the field of increasing the quantity and in the field of providing a planned regularity in the delivery of goods for export and in the improvement of the quality of goods, thus improving the effectiveness of the sale of goods by the foreign trade organs.

However, without denying the successes that have been achieved, there are still disturbing problems, shortcomings and weaknesses in the implementation of the tasks set for export; To solve these matters, it is required that state and economic organs, those who develop their activity in the sphere of production and those in foreign trade must tackle them more seriously. We stress this because there are cases showing that some economic enterprises and agricultural cooperatives have created shortcomings in the fulfillment of their export plan. Some others fulfill their tasks as a whole, but not according to assortments, quality and established deadlines.

What attracts attention is the fact that these shortcomings and the weaknesses of organizational and management work which cause them, instead of being analyzed with a critical eye and having concrete measures taken to eliminate them, are justified, supposedly by objective factors, such as "bad weather conditions," "failure to provide raw materials on time," "lack of packaging or lack of means of transportation" and so forth. The spirit of justification also exists in some foreign trade workers who, instead of revealing the shortcomings and weaknesses of their work for finding the most advantageous markets for their goods and for strengthening their relationships with producers, try to justify their weaknesses and shortcomings by all kinds of baseless reasons, much as "market difficulties" and so forth.

Of course, obstacles and difficulties of this nature have existed and still exist in the special economic enterprises and agricultural cooperatives and in foreign trade organs. In some cases they are of an objective nature. However, as experience also shows, when issues have been analyzed from the angle of the totality of relationships and of mutual obligations between the enterprises and economic and state organs in every link of management for the implementation of tasks for the increase of export, it appears that the reasons for nonfulfillments, for shortcomings and weaknesses in the field of export are mainly of a subjective nature and that they can be eliminated if mutual obligations are correctly understood as matters concerning the development of our planned economy, where every cell of the economy is a part of the whole, linked with each other and depending on each other.

It is known that the regular fulfillment of the export plan is an important factor for the normal and highly effective circulation of goods in foreign trade. And, improvements have been achieved in this field. However, one can still observe tendencies to deliver goods for export mainly at the end of the month, the quarter or the year; this practice creates difficulty for transportation, storing and keeping of goods for the execution of contractual tasks with foreign firms and for banking hard currency on time.

In the practical activity of some enterprises, the quantity and quality of export goods are being handled better and better as a unit, like two sides closely linked together. Consequently, many of our goods are in demand in international markets because of their quality, insuring stabilized and guaranteed sales markets. Thus, for example, as a result of improved quality of chrome ore, especially of that containing 42 percent chromium oxide, not only have the sales markets been stabilized, but also the selling prices have been increased. Good work has also been done for improving the quality of concentrate of chromium and ferrochromium, basic copper carbonate, copper wire and copper cables, cement, tomato sauce and so forth.

In spite of this, there is no room for euphoria and self-satisfaction, not only because the demands are always increasing, but also because there is still a tendency to fulfill the export tasks on an overall basis seeking the quantity to the detriment of quality. The importance of production of good quality goods for export is not correctly understood everywhere and by all as one of the main ways to increase hard currency incomes and guarantee markets for selling goods, thus, improving the economic effectiveness of exports and advertizing the development of our country abroad because, products of good quality and well packeted, as Comrade Enver Hoxha said, show the level of the industrial and technical development of our country and the level of organization and culture of production. Practice shows that, seeing the quality of goods for export from this vantage point, makes it possible to find the ways for making the turn, which the party requires, for the improvement of quality, packaging, labelling and marketing of goods for export.

The strict execution of technological processes has been and is one of the factors that has influenced and is exerting more influence in this direction

by producing in accordance with established orders and standards. When these matters have been seriously tackled by producers and foreign trade organs, when work has been properly coordinated between them for strengthening control, starting with raw materials and continuing with all links of the production processes, then, it was possible to stop poor quality production, incompatible with the contractual conditions. Thus, for example, last year, we dealt in time with the anxiety that was caused by sending a quantity of poor quality of iron nickel to Durres for export. Warned by the foreign trade organs, the Librazhd District Party Committee activated its basic party organizations and levers in mining centers which made the issue of the quality the matter of all workers. Based on confrontations organized between the progressive sectors and work brigades and the backward ones, the requirement for reporting was reinforced and not only persons from specialized organisms, but also and, first of all, workers, were entrusted with the control of the quality. As a result, the indicators of the ferronickel production were improved. The important thing is to provide qualitative indicators, without interruption and not in campaigns, continuing indicators, for all kinds of goods for export, eliminating the complaints about poor quality goods.

Positive experience also exists in other districts. However, the work for its generalization and dissemination for further improving the qualitative indicators for other minerals, in order to be conform with the requirements of international trade, is not up to the proper level. There are still manifestations of formalism and of superficial work in the activity of the party organizations and the state and economic organs in order to make the progressive experience a plan indicator, an objective that should be reached by all those that have more or less the same conditions as the progressive ones.

Good example in this field is being given by the "Ali Kelmendi" food combine in Tirana. Thanks to the measures adopted by the party organization for creating complete conviction among workers regarding the necessity to see quantity and quality as a unit as well as some other measures for improving technology, organization and management of work and, especially, for strengthening control, it was possible to make noticeable improvements in the quality of brandy for export. Consequently, during 1984 there was no complaint from foreign firms in regard to the quality of brandy.

In the struggle to implement party recommendations, last year some important successes were achieved in tobacco growing. Not only was the yield per hectare of tobacco sown increased by 1.5 quintals and 3,000 tons more products were obtained than in 1983, but also the quality was improved by about 20 percent. The quantity of tobacco of first, second and third quality was greater than any other year and, in comparison with the previous year, it increased by more than 70 percent. It must be noted that this improvement of quality of tobacco is profitable both to the agricultural cooperatives which produce it and to the economy in general, because the prices of its collection at home and of its sale abroad vary in a noticeable manner in accordance with the grades of quality. Thus, the first and second grade tobacco are sold twice as much as fourth grade tobacco or four times as much as fifth grade tobacco and five times as much as sixth grade tobacco.

However, despite achievements, there are still great reserves in this field. This is shown in the fact that in the agricultural units, with more or less the same conditions, differences in the quality of tobacco for export are stressed. The experience of the progressive units shows that great opportunities exist to improve the quality of tobacco through a more courageous introduction of new kinds of tobacco and of advanced technologies in tobacco growing and, especially, in the drying of tobacco.

Problems also exist in regard to the improvement of the quality of cigarettes for export. Cigarettes are made of selected tobacco, through an advanced technology and they have the taste of the oriental type, with low nicotine content and so forth. However, the work, that has begun, for the production of cigarettes with "Blend" taste, for the use of tobacco of the "Burley" and "Virginia" varieties in combination with the leaves of oriental tobacco and with aromatic materials, can and must take a more important place with higher priority in the entire work that is being done for the production of cigarettes for export.

The belief of some people--that the quality of goods is mainly formed during the control process or during the analyses undertaken for this purpose--must be fought as completely wrong and with negative consequences. Such a belief becomes an obstacle, among other things, for the coordination of work in all processes and links of the real formation of the quality of goods, starting with the various processes and links of production and circulation to the moment the goods has reached its destination. In this framework, of special importance is the perfection of the relationships of cooperation between all sectors and organisms that influence the improvement of the quality of export goods and, among them, the foreign trade organs that must not only discover, but also show, the ways for solving the problems, when they have the opportunity to do so and to cooperate with producers. The role of the foreign trade workers in solving the basic problems of the quality of export goods would be greater than it has been if they would stand as near as possible to producers, giving them concrete and continuing aid and not only when the harm has been done and when the goods are ready for export. Through current work coordination, it would be possible to eliminate even those cases when some industrial and agricultural goods, although produced with good quality but, because of lack of lighter, more practical and more beautiful packaging, are handled with differentiated prices in foreign markets and, in some cases, difficulties are created for selling them in free currency markets. Of course, good experience also exists in this field. Thus, for example, good work has been done for improving the packaging of cigarettes, brandy, sauce and so forth. However, the creative thinking of specialists and progressive workers is still not properly enlisted so as to use the existing opportunities in the field of improving packaging, labelling and marketing of goods that are exported.

Good experience has also been gained in the field of improvement of the effectiveness of the export of fresh vegetables. In 1984 tomatoes were sold in

international markets for higher prices than those which had been stipulated. However, if we had worked better to assure a greater quantity of early tomatoes, the effectiveness would have been even greater.

The problems of the earliness, quality and selection of vegetables for export, especially of tomatoes, are correctly handled in the agricultural enterprises of Sukth and Roskovec and at the agricultural cooperatives in Lapardha, Krutje, Zharreze and others, and their experience is being used as a basis for improving, from year to year, the qualitative and quantitative indicators of vegetables for export. The source of success for these agricultural units is to be found in the correct evaluation of the issue and in the perfection of the scientific management and organization of production. In these agricultural units, the shortcomings observed during the work process are immediately made the concern of the collective, while the observations of the trade organs are analyzed together and concrete measures adopted. The meetings of producers with foreign trade workers are serving to acquaint every worker with the requirements of the international market; this fact influences the improvement of their feeling of responsibility.

Let us correctly use our opportunities to improve the structure of exports and to expand the kinds of goods that we export.

Along with the development of our socialist economy, improvements have also been made in the structure of export. New articles, profitable for the economy, are included in the list of goods for export; the specific percentage of processed and half-processed goods has been increased. The basis for this has been and is the policy of our party for the development of a multibranch economy, relying on our natural resources. Our exporting power has grown based on the increase and improvement of our industrial and agricultural production, exporting not simply raw materials, but also, and mainly, processed goods with greater value. Thus, at the present time, about three-quarter of our exports consist of processed and half-processed goods.

However, the opportunities and reserves to improve the structure of our goods for export, in branches and sectors of our economy, are numerous, evaluating all means and possibilities for increasing the range of products for export, for producing new goods with the existing capacities or, also, with some investments which provide rapid effectiveness. It is important that our state and economic organs in the districts and the central departments correctly evaluate the supply of goods which are important in the volume of exports in general and of other goods, even if they are "small" but valuable for the economy.

In this framework, the need to strengthen a more complete concept not only about the necessity but also about the possibilities that have been created for improving the structure of export must be considered. We stress this because the studies, meetings and talks organized in the districts of the country, and the revolutionary initiatives which are taking place for the increase of export, show that, in order to realize the possibilities that exist,

first of all, it is necessary to dispel the erroneous concepts of some cadres and workers who believe that "everything has been done to increase export" and to combat the tendency of going mainly for the articles which carry a lot of weight or which are easily realizable, and so forth. Such concepts and practices hinder the struggle and efforts to use the many reserves which exist and which the dynamic development of our socialist economy is continually creating.

However, so that the production for export will be correctly harmonized with the requirements of international markets, important work is also assigned to foreign trade workers to acquaint themselves better and better with the requirements of international markets, undertaking for this purpose, continuing and complex studies in those fields having greater opportunities to increase our exports. The issue is to correctly coordinate the studies for the increase of production for export with the studies for knowing the requirements of the situations on world markets. In this framework, of great importance is the close cooperation between the foreign trade organs and producers, central departments, scientific research institutes and the state and economic organs in the districts so that requirements will be done in accord with production possibilities, as a main factor for improving the effectiveness of our exports.

In the conditions of the present situation in international markets, which is characterized by a marked instability, because of the deep crises of over-production and while marked changes in demands and in offerings are taking place, it becomes more necessary for producers and foreign trade organs to become as clever as possible. It is true that the situation of the world market and the selling prices of goods in this market do not depend on us; however, the struggle and efforts to utilize the right moment for the sale of goods and for the use of profitable forms of trade greatly depend on our work. "The issue is," Comrade Enver Hoxha has said, "that we should know how to trade, to be flexible, to sound out the situations on the markets, to know the prices and use them in our favor as much as possible" (Enver Hoxha, "Reports and Speeches 1978-1979," p 21). The good work or poor work of the foreign trade organizations can, somehow, encourage or hinder the production for export and can improve or lower the effectiveness of the economy in this field.

By handling the issue from this vantage point, it becomes necessary for the trade workers to maintain the closest, most continuing and most organized relationships with the producers; this, however, must not happen only when deficits are created, when deadlines are violated, when difficulties are created in the supplying of goods and so forth. It is understandable that the strengthening of these relationships must characterize the work method of the production cadres and specialists so as to eliminate the practice of some of them who go knocking on the doors of the foreign trade organs and enterprises only when they are late in the delivery of materials or in taking the goods for export, but very seldom do they do so in regard to the matters that are connected with the improvement of the quality and of the structure of the goods which they produce for export, with selling these goods on foreign markets, with the observations of the purchasers and so forth. Harmful also are the

tendencies of some production cadres who, by all means, deliver to the foreign trade enterprises goods which do not respond to the standards established, forgetting that our economy is one and, as such, wherever the harm is done, it affects the general interest.

At the present time, some markets of the countries with which we trade want processed minerals. From the studies done, it appears that, through the execution of some technical-organizational measures and with small investments, it would be possible to increase the production of ferrochromium and of chrome concentrate by processing poor chrome and powdered chrome. Such measures make it possible to double their value. Also, there are demands for ground, fractionated and calcined dolomites, baked olivenites, nickel silicate, fire resistant bricks, packaged sulphur in pallets and so forth. The further processing of copper wires and thin and very thin wires would noticeably improve the effectiveness of their production and sale.

In the conditions in which our light and food industry has developed and the professional skills of its cadres and workers have improved, noticeable improvements can be carried out in the structure of production for export by this industry for special groups of goods. Thus, for example, the sale of ready-made clothes is more profitable than textiles, the sale of small rugs is more profitable than carpets and reducing the weight of some textile articles, which improve the economic effectiveness of the textile and export industries, is also more profitable.

Experience shows that where export problems are correctly evaluated, along with the efforts to improve the value of the articles that are important in exports, increasing the level of their processing and improving their structure and so forth, special attention and care are given to the production of such articles for export as baskets, dried vegetables and medicinal, ether and oil plants and so forth.

Good experience has been gained in Vlore, Fier, Diber, and Gramsh districts in the field of increasing the production of baskets, using local raw materials which cannot be used for any other product, such as natural willow, rye straw, corn straw and so forth. But, this concern is not shown everywhere. Thus, for example, Lushnje, Permet, Skrapar and Kolonje districts do not attach the proper attention to the production of willow rods for export. Consequently, the production enterprises of these districts do not have a regular supply of raw materials. Practice shows that, in order to have a regular production and to improve the quality and assortments of basket articles, it is necessary to expand the growing of willow trees on the most fertile lowlands along the banks of rivers and irrigation canals. Such measures would open perspectives for increasing the kinds of basket articles. With willow rods it is possible to make armchairs, chairs, tables and other articles for which there are great demands in foreign markets. The construction of parks for breeding snails and cultivating mushrooms, of artificial ponds for breeding frogs and so forth are also economically profitable.

Dried vegetables are more and more in demand on foreign markets. But, claims for improving their quality have also greatly increased. Therefore, it is necessary to work much better than now for improving work in all links of the technological process in order to eliminate shortcomings such as burning, irregular cuttings, moisture above standard requirements, unsuitable packaging and so forth which become obstacles for their export to profitable markets. However, for increasing the kinds and quality of dried vegetables requires the adoption of some measures in order to introduce in production some kinds of vegetables which can be processed much better than the existing kinds.

Medicinal plants have also become a source of hard currency. They are profitable for export, because of the fact that their supply requires small expenditures, mainly for their collection and handling. However, because the demands for these articles in international markets has a dynamic character, an oscillating character, causing some plants to be removed from the list of requirements and to be replaced by some other articles, the foreign trade organs have the duty to inform the collectors of medicinal plants on time about this waive of requirements so that their attention can be concentrated mainly on those plants which are in demand in markets and which are found in the rich flora of our country.

The ninth Plenum of the Party Central Committee stressed that the improvement of the effectiveness of export depends greatly on the producers, the reduction of costs and the improvement of the quality of goods for export. But, the foreign trade workers must increase their efforts to find more profitable markets, make better use of the market situations, exert more influence on producers through more rapid and more precise information about the requirements of foreign trade, about the level of prices and so forth. The coordination of work between producers and the organs of finance, of the plan, of transport, of prices and of standards has always produced good results in improving the effectiveness of foreign trade.

9150

CSO: 2100/41

CZECHOSLOVAKIA

RECYCLING OF SOLID WASTE IN NORTHERN MORAVIA

Prague RUDE PRAVO in Czech 17 Apr 85 p 5

[Josef Rericha's interview the director of a production concern, Frantisek Penicka: "In the Interest of Better Environment"]

[Text] The rising requirements for the formation and protection of the natural environment demand that each and every citizen contribute to the resolution of this serious problem. The national committees have a particularly important role to play in this endeavor. They deal with, among other things, the disposal of solid waste. What concerns are caused by this problem in the North Moravian Regional National Committee and how they propose to resolve it in the Ostrava area was revealed to journalists by Bruno Bazanovsky, deputy chairman of the committee. He stated, among other things, that a processing plant will be built in Ostrava, which will handle the economic exploitation of such waste. Since the concern Vitkovice will be the senior furnisher of the new plant's technology, we asked the concern director to clarify certain problems for us.

[Question] On what principle will the plant be operating?

[Answer] There are various technological processing methods, however, they all essentially ensure sorting of the waste in a manner allowing reuse of raw materials in other processing branches. The recycling plant built by us will sort steel scrap, tinned containers, paper, plastics, glass, while producing fuel and fertilizer from the rest. The installation is being built under the state plan for scientific and technological development, with partial application of foreign licenses. By and large, we intend to cooperate with the Yugoslav partner firm 3 May, Rijeka.

[Question] What are the amounts of waste the plant will be sorting?

[Answer] According to government decision, the Ostrava recycling plant will have a capacity of 600 tons per day, i.e., 150,000 tons annually. From this

we will have a yield of about 9,000 tons of steel scrap, 34 tons of tin, 14,000 tons of paper, 3,000 tons of plastics, 9,000 tons of glass, 40,000 tons of fertilizer and 22,000 tons of ecological fuels.

The above demonstrates the great social significance of this sorting process since, among other things, we will be acquiring raw materials which will replace 28,000 cubic meters of lumber, 5,250 tons of crude oil, and gain energy in the volume of 80 terajoules. The sorted paper, for example, can be used for other products needed in agriculture, gardening and forestry, principally as soluble wrapping for the seeding of plants and trees. Plastics in the form of granulates can be reused for various products in our chemical industry. The ecological fuels gained will have twice the heating capacity of brown coal.

[Question] What foreign experiences are you applying?

[Answer] We have evaluated several foreign systems which are already fully functional. In some countries they have, besides these recycling plants, fertilizer plants, while sorting only steel scrap from imported raw materials, plus the remains deemed unfit for fertilizer. Such installations might be appropriate even here in regions outside the urban conglomerates, since in the latter distances involved would make collection uneconomical.

[Question] And what about the social benefit gained from such a plant?

[Answer] The plant under construction in Ostrava needs about the same investment expenditures as earlier built waste disposal plants of the same capacity. In the sale of sorted recycled materials alone, we can achieve a profit of Kcs 40 million, while in the old destructor plants we only gain heat and cause environmental pollution. There will be further savings in the new plant through elimination of waste storage expenditures.

[Question] Is the Vitkovice concern capable of building other such plants?

[Answer] This technology represents one of the basic tasks of the state plan for science and technology. We already have several potential customers for recycling plants. Following test operations in Ostrava, we expect to build two more such plants during the Eighth 5-Year Plan.

Concurrently, we face the task of finding suitable technology for smaller localities, which would handle only basic sorting and production of fertilizer. We also anticipate deliveries to Yugoslavia, possibly other countries.

[Question] Who will share in the construction of the Ostrava plant and when do you expect the wheels to start rolling?

[Answer] The plant is part of a binding task in the state plan for investment construction and we plan to complete basic work in 1985. We would like to start test operations proper by late 1987 and during 1988 confirm the performance of the entire technological complex.

Construction of the plant is performed by Vitkovice Builders in Ostrava, for which members of our concern will furnish the necessary steel construction and its installation.

Technological outfitting of the plant will be shared by many other engineering enterprises, including electrotechnology, regulatory and management technology. We have all the prerequisites to build a plant of top world level.

9496

CSO: 2400/360

GERMAN DEMOCRATIC REPUBLIC

COAL LIQUEFACTION RESEARCH PUSHED

West Berlin IWE TAGESDIENST in German No 94, 26 Jun 85 p 3

[Text] Currently GDR scientists are feverishly working to develop efficient and ecologically sound processes using indigenous lignite for coal liquefaction and gasification. In view of the lack of liquid hydrocarbons and the available quantity of petroleum, which is stagnant in the medium term but will decrease in the long term, it is an "important question" for the GDR to determine how the continued increasing need for fuels and chemical products can be met with crude lignite, as was explained at a technical conference at the Freiberg Academy of Mining. It was said that the national economy demands the production of fuels from lignite. Direct liquefaction is the shortest way, but it is technically the most difficult and the most expensive. Old, well known technologies for direct liquefaction are no longer effective today, and will not be in the future. For that reason, scientific-technical development is concerned with, among other things, significantly increasing flexibility in utilizing crude lignite, since coal quality in the GDR is decreasing, and even saliniferous lignite must be made use of. At the conference, it was conceded that the liquefaction processes tried to date in the GDR are too cumbersome and too costly. Refining projects in the field of carbon chemistry are often associated with considerable expenditures for large-scale trials and for production. A special problem is that the improvement of every refining plan in conjunction with the national economy requires an evaluation of the entire production process according to economic, ecological and social criteria. Overall, coal liquefaction only makes sense "if the relationship between utility to the user and the costs of production improves markedly."

CSO: 2300/455

HUNGARY

CEMA MATERIAL, ENERGY CONSERVATION PROGRAM UNTIL 2000 VIEWED

Budapest FIGYELŐ in Hungarian No 26, 27 Jun 85 p 9

[Article by Zoltan Sos]

[Text] The CEMA Material-Technical Supply Cooperation Committee worked out, with the participation of the member countries, the program until 2000 concerning the economical and rational utilization of material resources, being discussed and expected to be approved of in the present session period. Among other things, it specifies those cooperative areas which promote the reduction of material and energy demand in the individual member countries. There are possibilities and things to be done in, among other things, manufacturing economical equipment to produce, distribute, measure and utilize energy, and in widening the exchange of the most advanced experiences.

In the individual countries it was at the end of the seventies that, for the first time, comprehensive programs were worked out for saving energy, utilizing waste and secondary raw materials and modernizing technologies. The Executive Committee of the CEMA in 1983 and subsequently also during its 37th session period studied the experiences gained from the economic and rational utilization of fuel and raw material resources of the member countries, together with the main directions of widening the cooperation.

Slow Progress

Percentage of Average, Yearly Change,
in the Proportion of Material and Energy
Used to Produce a Unit of the GNP in the
European CEMA Countries

	Change in Material and Energy Demand 1976--80		Change in Material and Energy Demand 1981--83	
Bulgaria	-0.1	-0.9	0.02	-1.6
Czechoslovakia	2.0	-0.9	0.9	-0.6
Hungary	1.1	-0.8	-0.1	-2.5
GDR	0.3	-1.2	-2.5	-2.5
Poland	1.3	2.0	1.2	0.9
Romania	-2.0	-3.3	-1.7	-3.8
Soviet Union	-0.2	-0.9	-0.5	-1.7

According to the data, in the CEMA member countries the decrease in the material and energy demands of production speeded up in the beginning of the 80's. Compared, however, to the developed industrial countries this pace is still slow. Moreover, these data must be treated with certain reservations because, owing to the variety of the accounting systems of the member countries, also the methods of registering and quantifying the results differ from each other.

Establishing a unified system was most successful in measuring the changes in energy utilization, since here, starting with the data base given in units of heating value, quantification is relatively simpler, and also the transformations of energy can be traced more easily than elsewhere. But the data, as to their tendency, are absolutely acceptable.

Demands for material decreased in the 80's, compared to the preceding period, in the GDR, in the Soviet Union and in Hungary, but even in Poland the pace of increase became moderated. In Bulgaria, Romania and Czechoslovakia moderation slowed in comparison to the end of the 70's, owing above all to the exhaustion of the extensive reserves mobilized earlier. The change can be well demonstrated by the changes in the proportions of the most important iron-metallurgical products used to produce unit national income.

Percentage of Average, Yearly Change in the
Proportion of Metallurgical Materials Used
to Produce a Unit of National Income

	Cast Iron		Steel		Milled Ware	
	Utilization					
	1976-80	1981-83	1976-80	1981-83	1976-80	1981-83
CEMA countries	-2.1	-3.0	-2.2	-2.8	-2.6	-2.9
USA	-6.4	-20.4	-4.5	-18.7	-2.3	-10.8
Japan	-4.7	-8.1	-2.7	-7.8	-1.4	-10.2
FRG	-0.9	-9.1	-2.3	-9.3	0.5	-8.2

Quality Problems

In the CEMA countries, in consequence of the forceful development of heavy industry requiring material and energy, a significant increase in the production and utilization of traditional materials ensued, and for several materials the per capita production and utilization reached or, rather, surpassed the level of the developed industrial countries.

For example, in 20 years the total steel production of the CEMA countries rose from 86 million metric tons to 210 million metric tons, cement production rose from 68 million metric tons to 195 million metric tons a year. At the same time the quality of the materials, above all, does not satisfy modern requirements. This lag behind the developed industrial countries is especially conspicuous in the metallurgy of ferrous metals, the proportion of converter steel

production is low, the employment of continuous manufacturing processes is widening only now, but neither is the quality and available selection of milled steels satisfactory.

Production and utilization of modern materials is on the increase also in the CEMA countries. A strong expansion can be observed especially in the 60's when the price of the hydrocarbon basic materials was still low. In the first place the production and utilization of plastics, synthetic fibers and chemical fertilizers increased. In the developed industrial countries the quantity produced of plastics, synthetic resins etc. reaches that of milled steels, while in the CEMA countries it amounts only to about 25 percent of the latter. (Per capita production of plastics in the CEMA countries is 25 percent of that in the Common Market countries.)

With regard to energy demand the results are more encouraging: in every country a continual decrease can be observed, in the beginning of the 80's the decrease generally became faster. Pace, in spite of the restrictions, slowed down somewhat in Romania and in Czechoslovakia.

Percentage of Average Annual Change
of the Proportion of Energy Used to Produce
a Unit of National Income

	1976--80	1981--83
CEMA countries together	-1.1	-1.7
USA	-2.3	-3.1
Japan	0.4	-4.7
FRG	0.6	-2.9

In the CEMA countries energy use was constantly increasing in the period between 1960 and 1980; the 6-6.5 percent average increase in national income was accompanied by a 5 percent increase in energy use. In the 70's the mineral oil use of the CEMA countries exhibited a tendency different from the norm: while mineral oil use significantly decreased in the developed industrial countries, it was increasing in the majority of the CEMA countries. (The per capita mineral oil use increased in its totality by a factor of one-and-a-half between 1970 and 1980.) One reason for this is that the prices used in the accounts between the CEMA countries follow world market prices only with a lag of 5 years. Further, the growing world market prices generally did not affect the domestic prices, or only with a delay. Thus, measures directed at thrift or, rather, at reshaping the energy structure came late to begin with.

Directions For Cooperation

The CEMA countries are searching for possibilities to further expand bi- and multi-lateral cooperation. A good possibility for this is offered, on the one hand, by deepening the scientific and technological cooperation, by utilizing

common experiences in developments, by mutually adopting and employing the most advanced technological and technical solutions. It is necessary, however, that agreements between states be replaced by the direct relations between the economic organizations, because this way concrete results can show themselves faster and more efficiently.

The other area of cooperation is the mutual study and adoption of the various methods of regulation, management, organization and stimulation. While carrying out the thrift programs, however, it is not always possible to adopt directly the methods employed in the various countries, because of the different systems of economic management; a possibility is there only to the extent that a given country can fit them into its own economic mechanism.

12722

CSO: 2500/426

HUNGARY

SHOCKING FAILURES AMONG BORSOD COOPERATIVES

AU120401 Budapest NEPSZAVA in Hungarian 3 Jul 85 p 4

[Article by Janos Cseh: "What Happened in 35 Agricultural Cooperatives of Borsod County? -- The Person Whose Pay Was 25 Percent Less"]

[Text] This was a year of successes and failures. This is how the heads of Borsod's agricultural cooperatives describe the previous year. The plant cultivators had successful year, because there was a record yield of wheat, maize, sunflower, and sugarbeet. However, despite this situation, 35 cooperatives--one-third of the joint enterprises--closed with a deficit. By the end of 1984 the financial deficit amounted to 127 million forints at the Hegyalja Cooperative, 76 million at the Tokaj-hegyalja Cooperative, 49 million at the Lenin Cooperative in Vizsoly, and 49 million forints at the Beke Cooperative in Hernadkercsi. The deficits of 23 enterprises will be settled through their own resources, but in the remaining 12 cooperative rehabilitation measures had to be employed.

What happened in these Borsod cooperatives?

Resources Available for Development

Balint Hartman, secretary of the agricultural cooperative enterprise [Teszov] in Borsod-Abauj-Zemplen County, says that "the agriculture of this county had never been among those blessed with the best natural resources, but such failures are shocking. The year 1979 may be considered the turning point, because until then our cooperatives had been dealing exclusively with plant cultivation and animal husbandry and only with modest success at that. It was clear that something had to be done to improve development. Even the county's political leaders agreed and gave the green light to ancillary activities."

All those who could do so tried to find some outside business. In a short time two-thirds of the Borsod cooperatives had engaged in some kind of ancillary business "in the great hunting field" of Budapest. The lack of capital bound the hands of the cooperatives, but they did find something to do: Many people organized groups for cleaning, clearing junk, and renovating houses. The cooperatives located in the vicinity of Budapest helped a lot, but for the most part released those activities that were not attractive enough. The suddenly rocketing profits practically hypnotized Borsod's cooperatives;

there was now enough money for improving basic production, for machinery, seeds for sowing, and prime-quality animals. The fact cannot be ignored that some of the cooperatives of category "C" moved to "B," and even to category "A" during that time. The importance and reputation of the cooperatives and the leaders increased. This is understandable, because not many people can say today that they have increased production twofold or threefold within a few years.

However, the dream, the good progress made, suddenly disappeared, and the awakening was most painful.

The negligence of operations had surfaced. Some of the cooperatives could not properly control their sister firms in Budapest which were too far away and were living an independent life. The sudden increase in profits made some of the leaders careless; many of them handled finances all too lavishly and paid extremely high wages. On the other hand, some leaders were guilty of negligence and even criminal activities.

The truth is, however, that the leaders of the Borsod cooperatives had not been in an easy situation. The ill-famed itinerant working brigades were not afraid of threats. If the constantly increasing wages they demanded were not paid, the brigades simply went away, and this led almost always to serious consequences, because expenditures arose for the most part at long-established working places while incomes were used to line the pockets of the new employers. [sentence as published]

Balint Hartman argues: "This was in a way our own fault as well, because we had put all our energy in organizing the ancillary activities instead of strengthening supervision and management, and making sure that the cooperatives attained a relative stability. Unfortunately, the changes in investment policy, the stricter measures introduced for granting priority allowances to small businesses, and the tighter economic regulators caused sudden expenses to the Borsod cooperatives, so that several of them can no longer stand on their own feet."

The authorities have decided to liquidate the Sarazsadany cooperative, because of its deficits and the hopeless state of the business. In the case of the Igric cooperative, the best solution was to merge it with the cooperative in Tiszakeszi. There is not very much hope for the cooperatives in Vizsoly, Palhaza, and Hernadkercsi, because the requirements put forth during the rehabilitation sessions were extremely harsh.

To Make Amends

The biggest deficit, 127 million forints, was incurred in the Hegyalja Cooperative in Bekecs. Nevertheless, the situation of the enterprise is not hopeless because the authorities think that a new management will be able to overcome the problems. The membership expressed its will to keep the president and, with his help, to make amends for the faults.

Janos Pisak, president of the Bekecs cooperative, says: "We had organized our ancillary branches based on the encouragement of several managers of nationwide competence, because we would have been unable to make ends meet from basic production. The following figures illustrate the situation: Our profit was 1 million forints in 1977, 60 million in 1980, 70 million in 1981, and we realized 80 million in 1982. It seems clear that we had tried to establish stability and signed contracts for 5-6 years. We learned later that this was a great mistake. One has to face the facts, however, that without these activities we would never have been able to obtain a yield of 6-7 tons of wheat, and produce 5,700-5,800 liters of milk. The money was used at the right place."

[Cseh] "How do the people feel?"

[Pisak] "There is no panic; the people agree that we will recover in 2-3 years. We produce mainly goods that require few assets but are labor-intensive, such as glass beads and shoe uppers. We use irrigation methods to ensure our seed production."

[Cseh] "Did you have to face impeachment?"

[Pisak] "Yes, for one year 25 percent of my pay will be withheld. There is a much more serious problem, namely, being stigmatized, and the loss of the business' good reputation, which makes contracts very difficult to obtain. What still gives me strength is the trust of the membership. We must take a different course?"

Three Chairmen Dismissed

In Borsod County, because of the deficits in 1983 55 cooperative leaders were fined and this year 79 staff experts were found guilty and are being punished by withholding 10-25 percent of their wages; in addition, 3 cooperative chairmen were dismissed. The chairs are shaking under at least 8-10 chairmen at present, and if they cannot produce better results, they will be dismissed.

Attila Lipcsei, deputy department director at the MSZMP county committee of Borsod-Abaúj-Zemplén County, says: "The Borsod cooperatives woke up too late, because by the time the ancillary activities were organized, profitability was already in decline. We had warned the cooperatives to be careful with investments and to try to keep the activities in balance, to provide suitable personnel and reliable administration. The majority of the cooperatives were clever enough to utilize the opportunities. As a result, in 1982, the total profit of all cooperatives and state farms exceeded 1.1 billion forints and the deficit was only 150 million forints. Unfortunately, the balance of last year was almost zero, which means that the profits and deficits of the cooperatives were more or less equal."

[Cseh] "What are the consequences?"

[Lipcsei] "The shock experienced in the cooperatives' financial situation is not an isolated phenomenon confined to Borsod County, because other counties have experienced similar difficulties. One thing is certain: The cooperatives must be very careful in planning production and must deal only with those projects that will be profitable."

HUNGARY

SURVEY NOTES PESSIMISTIC MOOD ON ECONOMY

Budapest HETI VILAGGAZDASAG in Hungarian 25 May 85 pp 4-5

[Article by Gabor Strausz: "Economic Opinion Survey. The Mood After the Price Increases"]

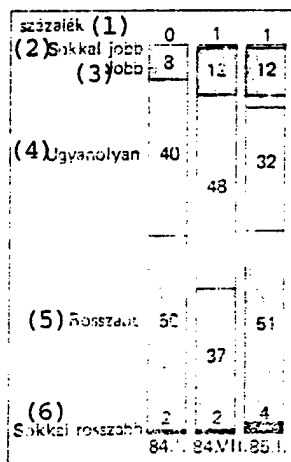
[Text] This is the fifth time that we are publishing the results of the semiannual economic opinion surveys that the National Market Research Institute conducts, using representative samples. The institute held its latest survey in late January, after the central price increases introduced at that time. The answers of the respondents surveyed last summer reflected a measure of hopeful expectation (see HETI VILAGGAZDASAG, No 3, 1985). The fact that the answers this year are more pessimistic regarding the respondents' own prospects and those of the economy can probably be attributed to the price increases.

In Hungary today, the change of the price level is the most important indicator on the basis of which the "average citizen" rates the economic situation as good or bad. In January 1985, immediately after the central price increases introduced at that time, 1 percent of the surveyed 1500 households (a representative sample of the nation in terms of income) rated the country's general economic situation much better than a year earlier, and 12 percent rated it better; but 32 percent of the respondents felt that the economic situation remained unchanged, 51 percent found it worse, and 4 percent rated it as much worse.

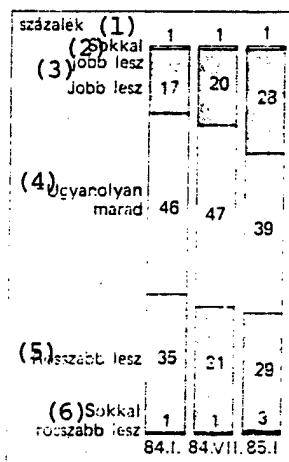
In comparison with the survey held 6 months earlier, the most important change was that one-third of the respondents who in the summer of 1984 had rated the economic situation unchanged, in comparison with a year earlier, felt that in January of this year the Hungarian economy's situation was worse.

The respondents often draw diametrically opposite conclusions from the same facts. Four out of every ten respondents mentioned higher prices and the population's increasing financial burden. In the opinion of 73 percent of the households that mentioned these developments, "higher prices prove that the country's economic situation is worsening," while 27 percent felt that "the population is being burdened with many things, and therefore the country's economic situation is improving or at least remaining unchanged." According to the respondents, the main signs of the economy's worsening situation, in

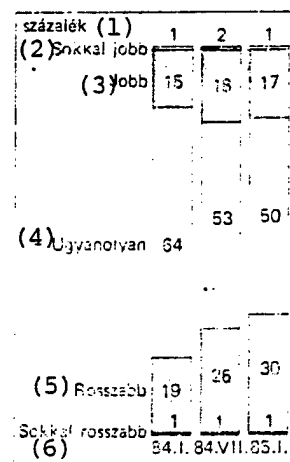
How do you rate Hungary's general economic situation over a year ago? (Percent of all answers)



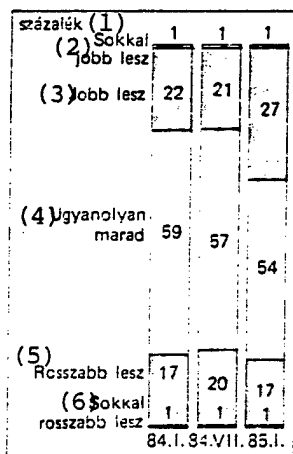
How do you rate the prospects of the Hungarian economy a year from now? (Percent of all answers)



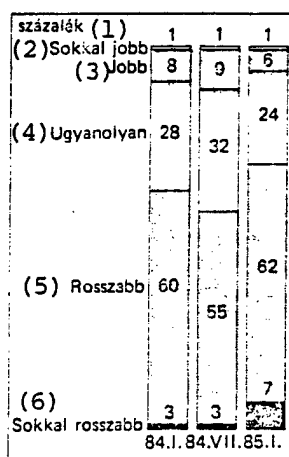
How do you rate the supply of merchandise in the stores over a year ago? (Percent of all answers)



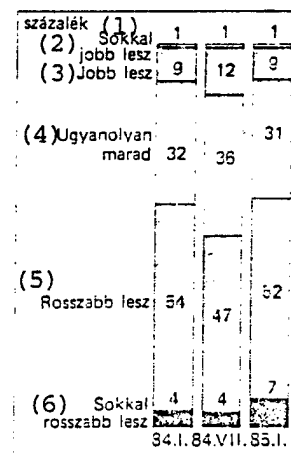
How do you rate the prospects of merchandise supply a year from now? (Percent of all answers)



How do you rate your present economic situation over a year ago? (Percent of all answers)



How do you rate your economic prospects a year from now? (Percent of all answers)



Key:

- | | |
|----------------|---------------|
| 1. Percent | 4. Same |
| 2. Much better | 5. Worse |
| 3. Better | 6. Much worse |

addition to inflation, were: foreign debt remained huge, restrictions were necessary to conserve energy, and many shortage items. Most respondents blamed the unstable world economy, the worsening terms of trade, bad weather, low productivity, huge military expenditures, and lax labor discipline for these phenomena. However, nearly every third respondent fostered hope that the economy would be better a year later, even if not substantially better. In their opinion, this improvement could be achieved mainly through a system of regulation that provided more incentives, and through better-organized production.

The supply of merchandise reflects to a certain extent the country's economic situation and also influences the population's living conditions. In the survey last January, half of the households rated the supply of merchandise in the stores the same as a year earlier. But the opinions of the remaining households were divided: 18 percent saw an improvement, 31 percent found the supply of merchandise in the stores worse.

Of the critical respondents, 62 percent criticized the supply of food products in the stores; 22 percent, the supply of industrial goods; and 16 percent, the supply of clothing.

Many respondents objected to the much narrower assortment of food products. The supply worsened even of basic foods; they often ran out during peak periods; not to mention their substantially higher prices.

A recurring problem for customers was the irregular supply of industrial goods, and the shortage of parts for durable consumer goods. Critical comments regarding the assortment of clothing were relatively few, but the more serious. Namely, the comments revealed that often even the average requirements were not met, especially regarding the supply and quality of clothing for children.

Primarily the intellectuals felt that the supply of merchandise was worsening. On the other hand, according to the survey, blue-collar workers in agriculture experienced practically no change. On the whole, however, the supply of merchandise received a less favorable rating last January than in any of the surveys during the past two years. Therefore it is the more surprising that never before have the respondents been so optimistic as now regarding the prospects of merchandise supply a year later. Those who believed that the supply of merchandise would improve attached their hopes to a stronger profit incentive for domestic trade, to the production-stimulating role of higher prices, to stiffer competition, and to an increase in the number of contractual deals.

After the January 1985 price increases, it is understandable that most households viewed their own economic situation even more gloomily than before: 69 percent felt that their economic situation was worse or much worse than in January 1984; only 7 percent felt that their situation had improved more or less; and the rest rated their economic situation as unchanged.

The respondents attributed their worse economic situation primarily to the constantly rising prices. Many felt that their monthly expenditures had increased by 25 to 30 percent. Especially the increases in the prices of basic foods and energy affected the families unfavorably. In the opinion of the respondents,

How Consumers Rated the Supply of Merchandise

	<u>Mentions*</u>
Supply had worsened because:	
There were more shortage items	219
Assortment was more limited	70
Quality declined	32
Supply was more irregular	30
Better goods could be bought only by giving bribes	27
What one wanted was not available	22
There were not enough imports of good quality	21
There was no low-cost merchandise of good quality	16
The assortment was shifting toward more expensive goods	13
Distribution was poor	10
Supply had improved because:	
Assortment was broader	181
Everything was available if one had the money	12
Supply exceeded demand	10
Private merchants were improving and expanding supply	10

*In the answers from 1500 households.

raises had not kept pace with inflation. Naturally, the situation of those worsened the most whose cash incomes also declined (persons receiving sick pay, retirees, parents receiving child-care allowance, for example).

Several of the respondents emphasized, "Slowly our pay will be enough only for food." Such a dire situation is not common, but only 20 percent of the households were able to save regularly, as compared with 30 percent in the summer of 1982.

Those who rated their own economic situation worse than before were in a majority within every social stratum. On the basis of the respondents' comments, it is no exaggeration to say that it is already an urgent social task to prevent the further pauperization of the elderly--and not merely of the ones with the smallest pensions. Naturally, the present plight of retired persons is entire society's problem, and not merely the problem of a single social stratum. As the researchers point out, this problem is demoralizing entire society: the persons now retired and future retirees as well.

The majority of the respondents were not optimistic regarding the foreseeable development of their own economic situation. But, as in previous surveys, most of them expected their situation to worsen less than it had in the past. By next January, 18 percent of the respondents expected their economic situation to be worse or much worse than at the time of the survey, while 82 percent expected their situation to be at least no worse.

Calculated Ratings

Researchers of the National Market Research Institute have been asking their respondents since 1980 how they rated Hungary's general economic situation and their own situations over a year earlier, and the prospects of the economy and their own prospects a year after the survey.

The researchers are using a point system to grade the answers. They assign a value of 2 points to a "much better" answer; 1.5 points to a "better" answer; 1.0 point to a "same" answer; 0.5 point to a "worse" answer; and 0 point to a "much worse" answer. Then they count how many times each type of answer occurs, multiply the obtained proportions by the appropriate number of points, and then add the products.

The total may vary from 0 to 200 points. Hence it follows that the respondents rate the situation or prospects as the same when the total score for a question adds up to exactly 100 points. If more rate the situation or prospects as worse, the total score remains below 100 points; and if fewer respondents rate the situation or prospects as worse, the total score rises above 100 points. When last January the respondents rated their own economic prospects a year later, for example, 1 percent expected their situation to be much better ($1 \times 2 = 2$ points), 9 percent expected it to be better (13.5 points); 31 percent expected it to remain the same (31 points); 52 percent expected it to be worse (26 points); and 7 percent expected it to be much worse (0 point). This adds up to a total of 72.5 points. In other words, the respondents as a whole expected their economic situation to worsen.

Changes in Public's Rating

	1980		1981		1982		1983		1984		1985
	<u>Jun</u>		<u>Jan</u>	<u>Jul</u>	<u>Jan</u>	<u>Jul</u>	<u>Jan</u>	<u>Jul</u>	<u>Jan</u>	<u>Jul</u>	<u>Jan</u>
Over a year earlier											
Own situation	73.0		78.0	79.5	85.5	81.5	75.5	73.5	72.0	75.0	66.0
National economy	n.a.		n.a.	n.a.	n.a.	n.a.	79.5	85.5	77.0	86.5	77.5
Merchandise supply	n.a.		n.a.	n.a.	n.a.	n.a.	98.0	93.0	98.0	97.0	92.5
Prospects a year later											
Own prospects	83.0		78.0	85.5	86.5	84.0	78.5	77.5	74.5	79.5	72.5
National economy	n.a.		n.a.	n.a.	n.a.	n.a.	87.5	94.0	91.0	94.5	97.5
Merchandise supply	n.a.		n.a.	n.a.	n.a.	n.a.	99.0	98.0	102.5	100.5	105.0

n.a. = Data not available.

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CSO: 2500/420

HUNGARY

CHANGES IN ENTERPRISE MANAGEMENT FORMS NOTED

Budapest FIGYELO in Hungarian No 24, 13 Jun 85 p 3

[Article by Istvan Csillag: "Situation Report at Half Term"]

[Text] The state enterprises' changeover to new forms of enterprise management has reached its third phase, the one that directly precedes the election of the managing bodies. The steering committees at the enterprises have summed up and submitted to the administering agencies the enterprises' comments on, and their objections to, the administering agencies' proposals regarding the new form of enterprise management, the scheduling of the changeover, and the organizational changes. Knowing the enterprises' views, we are now able to estimate the proportions of the enterprises' breakdown by forms of enterprise management.

Expected Proportions

Of the approximately 900 enterprises founded by ministries or other central agencies, 21 percent will remain under state supervision, 17 percent will be managed by the general meeting of workers (or by the meeting of the workers' delegates if the work force is large), while at the remaining 62-percent majority the enterprise council will function as general manager. Of the approximately 750 enterprises founded by councils, 33 percent will remain under state supervision (they are public utilities almost exclusively), 39 percent will be managed by the general meeting of workers or the meeting of the workers' delegates, and 28 percent will operate under enterprise councils.

Thus, 27 percent of all state enterprises will remain under state supervision, 26 percent will be managed by the general meeting of workers or the meeting of the workers' delegates, and 47 percent will operate under enterprise councils.

On the basis of the enterprises' preliminary assignment to forms of enterprise management, and of the feedback from the enterprises, then, the majority of state enterprises, about 1,200 enterprises in all, will change over to a new form of enterprise management. This number is expected to increase. In part, with the eventual addition of enterprises that temporarily remain under state supervision; their final assignment to a form of enterprise management will be preceded by a comprehensive organizational review; respectively it will be necessary to examine whether the distribution of centrally allocated products is feasible under enterprise self-management, and will this require some special instrument. Furthermore, the number of enterprises operating under a new

form of enterprise management may increase in cases when the founding agencies deem the spinoffs of subdivisions necessary prior to the enterprises' reorganization, or as a result of decentralization that the subdivisions themselves propose.

Subdivisions May Still Become Independent

In the course of responding to the preliminary assignment of the enterprises to forms of enterprise management, not too many subdivisions presented proposals for making them independent: there were merely 60 to 70 such proposals, affecting 50 enterprises. A contributing factor, of course, was that at enterprises under the Ministry of Industry, and hence in manufacturing where the organizations typically are highly concentrated, the expressing of opinions could begin only in late February. This left little time for the subdivisions to think through the foreseeable results of their becoming independent, to perform the necessary computations and, last but not least, to muster up the courage and strength for independence.

The period for responding, which expired on 30 April, was shortened also by the fact that at many enterprises--due in part to intentional manipulations, and in part to disorganization and a lack of preparations--the steering committees were able to begin their work, and to outline the possibilities of making the subdivisions independent, only in late March or early April. However, the subdivisions' right to becoming independent has not ceased on 30 April 1985. Pursuant to the law decree amending the Law on State Enterprises, subdivisions may submit proposals for independence to their founding agencies until the enterprise council or the general meeting of workers has been formed, i.e., so long as they are under state supervision.

For this very reason, the 30 April time limit was not a peremptory one, to use the proper legal expression. Its sole purpose was to ensure that the proposals for organizational changes could be reviewed together with the comments on the proposed forms of enterprise management and the scheduled date of the changeover. And since the system of financial benefits in the case of independence (Decree of the Minister of Finance No 5/1985) and the procedures for submitting proposals for independence--Directive of the Ministry of Finance No 7001/1985 (PENZUGYI KOZLONY No 1)--are well known, there are no uncertainties in interpretation to hamper the elaboration of the subdivisions' substantiated proposals for independence.

The responses from the enterprises indicate that the administering agencies have done thorough work in preparing the preliminary lists of enterprises by forms of enterprise management. An overwhelming majority of the enterprises has accepted the proposed forms of enterprise management; the proposed changes concern only the scheduled date of the changeover, usually advancing it so that the changeover may be realized in 1985. In a departure from the original expectations that a third of the enterprises would be operating under a new form of enterprise management in 1985, between 40 and 45 percent can be expected to assume self-management this year. Because of the early and well-organized preparations, the changeover is proceeding fast especially at enterprises of the Ministry of Agriculture and Food. Of the 230 enterprises for which the ministry proposed new forms of enterprise management, as of this

writing 126 already have enterprise councils, 24 have meetings of the workers' delegates, and 13 have general meetings of workers.

Motives for Advancing the Changeover

Partially a desire to reap the expected benefits of the new forms of enterprise management is behind the enterprises' proposals to advance the scheduled date of the changeover. In addition to this, some chief executives figured that acceleration of the process would not leave enough time to thoroughly review the enterprises' organization, to propose the subdivisions' independence, to carefully screen the election of members to the managing bodies, and to form well-prepared managing bodies capable of discussing matters over which they have authority. Therefore the administering agencies are agreeing to advance the scheduled date of the changeover only where this is compatible with the form of enterprise management, neither the administering agencies nor the enterprise collectives have proposed a review of the enterprises' organization, and inherited economic problems are not jeopardizing the managing bodies' effective operation.

The feedback from the enterprises supports the administering agencies' conviction that self-management is feasible even at truly large enterprises; that size alone--in terms of the work force, output value, or goodwill--does not warrant leaving an enterprise under state supervision; and that supervision by the state as owner, which means that the administrative apparatuses tell the enterprises what they want them to do, is an outright drawback for an enterprise that wants to compete in the marketplace. Thus, even such truly large enterprises as, for example, Raba, the Hungarian Antifriction Bearing Works (Magyar Gordulocsapagy Muvek) or the Danube Iron Works will be managed by enterprise councils.

Trust or Closely Integrated Combination

The advantages of reorganizing as "limited" trusts the enterprises with several large subdivisions, each capable of operating fairly independently, have not been reflected in the enterprises' opinions and feedback. This is the more surprising because bold initiative, a long-range perspective, and decentralized decision-making--the essential elements of the new trust form--have been characteristic up to now of the managements of the large enterprises proposed for this form of enterprise management. Thus, only two of the proposed nine large enterprises intend to develop their organization in this manner, while the other seven, each employing tens of thousands, are emphasizing their closely integrated nature. It is hoped that, as a continuation of the management strategy up to now, the advantages of operating as a trust will evolve at these latter enterprises as well; that they will prove that their central staffs are not wasting their time and effort on production scheduling, but are concentrating on important capital-allocation decisions.

Among the smaller enterprises of the local councils, preference for operating under the general meeting of workers or the meeting of the workers' delegates may be regarded as natural. On the principle that creativity knows no hierarchy, for example, the planning enterprises have opted for a meeting of the workers' delegates, instead of an enterprise council that tends to reinforce

the hierarchy of management. Elsewhere, where the enterprises are rather structured in terms of activity or geographic location, an enterprise council has been preferred that better suits such a structure.

The enterprises' views reflect responsible, far-sighted thinking and intensive activity, which are essential to self-management. They indicate that gradual changeover to the new forms of enterprise management, in several phases, will help the enterprises to prepare for, and to operate under, self-management. The activity of the enterprises that presented their opinions justifies the hope that the functioning of the managing bodies will not become perfunctory, but will serve to coordinate the concepts and interests within the enterprises and will be conducive to far-sighted management.

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CSO: 2500/420

POLAND

INCREASED ECONOMIC COOPERATION WITH INDONESIA CONTEMPLATED

Minister on Current Status

Warsaw RYNKI ZAGRANICZNE in Polish No 63-64, 25 and 28 May 85 p 3

[Interview with Minister Ali Wardhana by Andrzej Krzemiński: "We Took a Step Forward in Broadening Cooperation"]

[Text] After signing the protocol of the talks between the Indonesian and Polish delegations Minister Ali Wardhani answered the questions of journalists during an impromptu press conference.

[Question] What is your general impression of the just-ended talks?

[Answer] We held talks with both members of the Polish government and representatives of the party authorities. I'm particularly impressed by the openness and candor of these talks, which demonstrate the mutual understanding and friendly approach of both parties.

[Question] Since the parties are undertaking economic negotiations, these must be of interest to them from the standpoint of trade. Please tell us what is of interest to Indonesia in the Polish economy and vice versa.

[Answer] As noted in the protocol, there exist two domains of cooperation: trade and economic cooperation. As regards trade, it was possible to identify the goods which we will sell in Poland, as well as those that we can import to Indonesia. We also identified the domains of eventual economic cooperation such as power industry, machinery industry, shipbuilding and many others.

[Question] A question not related to the talks themselves: What are your impressions of our country, sir?

[Answer] I spent only 3 days in Poland, but they sufficed to produce a very good impression on me. For I familiarized myself with the development of your economy, particularly of industry. This has reaffirmed my deep conviction that you have reached a highly advanced level of economic and industrial development.

[Question] What level can be reached by Indonesian-Polish trade?

[Answer] At present it is rather low. Bilateral trade is about US\$20 million. It used to be higher in the past, but economic difficulties--both those of Indonesia and of Poland--resulted in its decline. We wish to revive trade between our countries, and here let's begin with little instead of aiming high and never attaining the goal.

[Question] You mentioned the power industry among the eventual domains of cooperation between our countries. Do you consider it possible for the Indonesian government to purchase electric power plants in Poland?

[Answer] Of course. They are based on a good technology, but naturally they must be competitive. For in addition to Poland there are other countries such as Hungary, the Soviet Union or Czechoslovakia, that also are offering us power plant and industrial facilities.

[Question] As you surely are aware, Poland's exports in this field are well-developed. For example, currently we are building three large power plants in Turkey, which would represent a good recommendation.

[Answer] Yes, in Indonesia also we already have power industry facilities provided by the Polish side.

[Question] To what extent can the decline in crude petroleum prices result in a slowdown in the implementation of the Repelita IV and Repelita V development plans, in your opinion, considering the importance of this decline to the Indonesian economy?

[Answer] The decline in petroleum price quotations has indeed caused major changes. Since 1983, when the price of crude petroleum dropped to US\$29 from US\$34 per barrel, we have conclusively revised our 5-year plan, Repelita IV, on allowing for, besides, the current lower level of price quotations as well as the possibility of their further decline this coming summer. We assumed that the mean rate of economic growth will be only 5 percent annually, as opposed to the previous 5-year plans when we had attained a much higher growth rate.

In this connection, that is why we wish to expand nonpetroleum exports, and that also is one reason for our present sojourn in Poland.

[Question] What sector of the Indonesian economy will be most affected by the slowdown in growth rate?

[Answer] In particular, the projects whose implementation is largely import-dependent. This is because the revenues from crude petroleum have been chiefly used to finance highly import-consuming investment projects. As the hard-currency revenues diminished, we had to retard the implementation of these great investment projects. We will, however, continue to expand the social infrastructure.

[Question] You mentioned eventual economic cooperation between Indonesia and Poland. What would, in your opinion, be the nature of cooperation of this kind with the other socialist countries, particularly from the standpoint of their participation in the implementation of Indonesian development plans?

[Answer] Last year I already visited four countries. Now I'm visiting Poland and Bulgaria as the last leg of my travels to the countries of East Europe. I view these contacts as a beginning and don't expect them to immediately result in increased trade. It is simply that we took the first step in expanding mutually advantageous trade and economic cooperation with the socialist countries.

Revival of Contacts

Warsaw RYNKI ZAGRANICZNE in Polish No 63-64, 25 and 28 May 85 p 3

[Unsigned article: "Revival of Contacts With Poland"]

[Text] (AK) Indonesia, in view of its rich natural resources and considerable economic potential, is undoubtedly an attractive partner to Poland. Mutual trade relations and economic cooperation between these countries already have a rich tradition.

Particularly extensive contacts took place in the 1960's. At the time the Polish side took an active part in expanding the Indonesian economy, providing variegated investment goods. Polish enterprises participated in the construction of sugar plants and shipyards as well as in providing equipment for mines and electric power plants. During that period the Indonesian merchant marine purchased 25 Polish ships.

In subsequent years, however, mutual economic ties had weakened; for a long time now these ties of a certainty do not correspond to the possibilities of both parties.

Trade between Indonesia and Poland is regulated by a 1974 agreement which provides for trade based on convertible currencies. In the last few years bilateral trade averaged about US\$20 million annually. In 1984 Polish exports to Indonesia amounted to US\$9.8 million, compared with US\$7.9 million in the preceding year. On the other hand, imports have been fluctuating markedly in recent years. In 1982 they amounted to US\$17.6 million, and in 1983 to US\$30.6 million, but last year they dropped to barely US\$1.2 million.

These figures do not comprise all transactions between both countries, because they pertain only to direct trade. For example, in 1984, when allowance is made for trade mediated by third-party countries, Poland's imports from Indonesia were four times as high, amounting to US\$4.9 million and its exports US\$400,000 higher (altogether US\$10.2 million).

Our shipments to that country consist chiefly of chemicals, pharmaceuticals, powdered milk, Diesel engines, measuring apparatus, electrotechnical goods,

typewriters and glass. The customers for these goods are almost exclusively private Indonesian companies. Attempts to revive on a larger scale exports of investment goods, including complete sets of industrial facilities, have not so far produced results. A major obstacle in this respect is the extremely favorable credit terms offered to the Indonesian side by American, Japanese and West European suppliers. Adaptation to these terms is causing considerable difficulties to Polish enterprises.

Last year there was a marked revival of contacts between both countries. A major event was the first session of the Polish-Indonesian mixed commission, held in Warsaw in August 1984. That session resulted in identifying the domains in which a marked increase in trade and economic cooperation could be expected.

Cooperation in the development and processing of coal and copper as well as in the construction of electric power plants and power transmission systems was acknowledged to be highly promising. Shipping also is of interest to both parties. The cooperation could include deliveries of ships and fishing vessels, the construction and expansion of harbors and shipyards, and fishery as well. Mutual advantages could also be derived from joint action in the chemical, machinery and building materials industries as well as in the production of railroad equipment.

With a view toward initiating direct contacts and defining more precisely the aforementioned possibilities, the PIHZ [Polish Chamber of Foreign Trade] organized last year a trade mission to Indonesia. The talks then held showed that there is a chance to revive contacts not only with the private but also with the public sector in Indonesia. Of interest to Polish enterprises were both exports and imports. It was then found that exports of industrial products to Indonesia will soon require new operating procedures, e.g. the establishment of plants for the assembly of certain equipment such as measuring apparatus or typewriters.

An event confirming the interest of both sides in expanding trade and cooperation was the visit paid to Poland last April by Minister Prof Dr Ali Wardhana, the coordinator for the economy, finance, industry and supervision over the development of the Republic of Indonesia.

The Indonesian guest was received by the Chairman of the Council of Ministers Army Gen Wojciech Jaruzelski. Economic problems were discussed during meetings with Deputy Premier Zbigniew Messner and the ministers of: finance, Stanislaw Nieckarz [as published], and metallurgy and machinery industries.

The Indonesian delegation toured numerous production establishments, including the brown coal mine and electric power plant in Belchatov, the copper mining basin in Lubin, the ZASTAL Steel Plant in Zielona Gora, and several machinery industry plants in the Nation's Capital.

Fundamental talks on economic topics were held with a Polish delegation headed by Deputy Premier Janusz Obodowski. The protocol signed upon the conclusion of these talks does not, to be sure, contain specific provisions on future

cooperation, but it provides the basis for that cooperation and expresses the intentions of both parties to expand it. The protocol confirms the existence of possibilities in the domains identified during last year's session of the mixed commission, and it provides for an exchange of delegations of experts, which would make possible gaining greater familiarity with the economic potential of Indonesia and Poland. The conviction also was expressed that mutual trade can increase markedly, which should be favored by closer direct contacts between the PIHZ and the Indonesian Chamber of Commerce and Industry.

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CSO: 2600/811

POLAND

AIRCRAFT INDUSTRY EXPORTS DISCUSSED

Warsaw SKRZYDLATA POLSKA in Polish No 23, 9 Jun 85 p 3

[Interview with Mgr Zygmunt Drozda, deputy chief director of PEZETEL Foreign Trade Enterprise, Ltd: "Growing Exports," by Boguslaw J. Witkowski]

[Text] [Question] Mr Director, during the post-war period the Polish aviation industry has produced and exported a large amount of aviation equipment. Please give us the figures on foreign sales.

[Answer] First of all I should like to tell you that PEZETEL is not the only enterprise selling Polish aircraft abroad, but I can give you a summary of such exports produced by plants of the PZL Association of Aircraft and Engine Producers. But before we get into the size of exports it might be useful to give you some information about the industry itself, because I am afraid that many of the readers are not fully aware of our potential and our international standing. For example, Poland is second in the world in the production of agricultural aircraft and gliders and holds fourth place in helicopter production, but overall the Polish aviation industry holds fourth place in Europe, coming after the USSR, Great Britain, and France, and is sixth in the world.

[Question] Could you give us a breakdown of the structure of that production?

[Answer] It includes small-, intermediate-, and large-lifting capacity agricultural aircraft, light multi-purpose airplanes, and light airplanes for training and sports purposes; passenger planes for local transportation, wide-body passenger airplanes; agricultural, ambulance, and other helicopters; various types of gliders, piston aircraft engines, turbothrust and turbojet engines; agricultural aviation equipment, ground equipment for agricultural aircraft, and other sorts of aviation equipment.

[Question] But to come back to the first question...

[Answer] From 1945 to 1984 our exports amounted to approximately 12,000 aircraft of various sorts, including more than 10,000 An-2 airplanes, more than 4,000 helicopters, over 2,200 gliders, and nearly 25,000 aircraft engines.

[Question] Those figures are truly impressive. But what sort of aircraft do you export?

[Answer] I want to emphasize that the USSR is the Polish aviation industry's major partner and has been cooperating with us in fruitful coproduction and joint production for many years. At the same time, the USSR is our aviation industry's largest customer. We also sell our goods to the other countries of CEMA and to about 50 other countries in all parts of the world. This is a very difficult and technically complicated export. The major condition to exporting aviation equipment is to get a stand on the major sales markets. Because we have done this in the USSR, the United States, and other markets that have high technical requirements, this has served as a "pass" to export all over the world, but it has required a great deal of effort and many measures which have also frequently had substantial cost attached to them. Advertising and promotional efforts can only begin after this first basic condition has been met.

[Question] Do you sell aircraft in the West the same way as in the East?

[Answer]: There is a rather great difference between exports to CEMA countries and those to countries of what we call Payments Area II, mainly in the realm of market organization and advertising efforts and costs. We have multiyear and annual agreements with the CEMA countries, and these agreements keep the sales level stable and regulate technical service problems, spare parts supply, and repairs, but continual efforts have to be made to export to Payments Area II, and we have to make continual tremendous advertising and promotional efforts and be on the constant search for new partners and markets. Furthermore, we are competing here very hard with large world firms that have modern equipment, large advertising resources, and their own trade organizations.

[Question] But PEZETEL does not have to wait for a customer anxious to buy a given aircraft, does it?

[Answer] Of course not. We use various forms of work on the markets. For example, we operate through fixed representatives in many countries.

[Question]: Where are these located?

[Answer] We have our agencies in all the CEMA European countries, with the largest being in the USSR, as well as in the traditional regions of our operations in the realm of agricultural aviation services, such as Egypt, the Sudan, Ethiopia, and also in Greece, Iraq, Canada, the United States, the Federal Republic of Germany, England, and Yugoslavia. We work through local agencies on the other markets.

[Question] Let us get back to the question about how aircraft are sold.

[Answer] As I said, after we get a foothold we do advertising and promotion. This is made up of various operations, such as equipment displays and fairs, aviation symposia, and advertising campaigns. A contract for the sale of

equipment often precedes a contract for a wider range of service including checking out the equipment for its suitability. At any rate, it is a long and difficult road to the contract itself. Matters to be worked out include the manner of delivery, transportation, assembly, the organization of service, personnel training, and many other items.

[Question] And what about export profitability?

[Answer] It is true that we have problems related to keeping up with domestic prices, because on world markets the prices of investment goods are not rising so rapidly, but the mean cost of each ruble or dollar obtained corresponds to the exchange rate. This means that overall the export of these goods is a profitable thing.

[Question] Alongside sales of aircraft and aviation equipment, PEZETEL also provides agricultural aviation services abroad. In what countries?

[Answer] The traditional customers for our agricultural application services are in the Near East and Africa. For example, in 1984 Polish pilots worked the fields of Egypt, Ethiopia, Syria, and the Sudan, and the export services rendered totalled 700,000 hectares. In 1985 we want to expand our range of services, but this will not be easy, because it is becoming more and more competitive, and some countries are also encountering payment problems.

[Question] So what will be the directions of the PEZETEL center's operations in 1985?

[Answer] We are going to try to bolster our previous markets and be on the look-out for new customers. The People's Republic of China looks like a promising market. In September 1985 there is going to be a big economic fair and exhibition in Peking, and we are going to show off our Dromader, Wilga, and Koliber aircraft, among others. We are expecting to expand our export offerings in the Arab countries, and in Yugoslavia and Nicaragua. We are also planning on unblocking the North American market, but this depends not on technical or commercial considerations but on political ones. Our exports to that country fell from 10 million dollars in 1980 to 4 million in 1984. We are also going to expand our advertising program for new models, like the PZL-Kania and Sokol helicopters, the An-28 airplane, and the new PZL-106BR, called the Kruk.

[Question] This year where will aviation goods bearing the PZL trade-mark be presented?

[Answer] Besides the exhibition in China that we mentioned above, we will display our wares at the International Aviation and Aeronautical Salon at Le Bourget, where we will show off our PZL-130 Orlik trainer aircraft with flight simulator. In Novi Sad, Yugoslavia we will display our Dromader at the agricultural fair there. The Orlik will be displayed at our own show in Minsk (USSR), and then in Salonika (Greece) we will put our models of aviation equipment on display. In addition, we have traditionally taken part in the International Trade Fair in Leipzig, and we will also be on show at

a similar event in Brno, and then in Budapest, Bucharest, and Plovdiv. Altogether PEZETEL will be on display at 17 international fairs and exhibitions, as well as at the Poznan International Fair.

[Question] What about the growth rate of exports? Are exports up or down?

[Answer] They are up, of course. For example, in 1984 the aviation equipment export office exceeded the plan for sales to Payments Area I (104.1 percent fulfillment) and also to Payments Area II (106.4 percent fulfillment). For 1985 we expect a further increase in the plan, to 110 percent for the countries of Payments Area I and to 112.8 percent to Payments Area II. Of course these figures are in comparative prices, not current prices.

[Question] In the immediate future should we expect new exports, like the An-3, or cooperation on assemblies for the Il-96 airbus?

[Answer] I suggest we talk about this some other time.

[Question] Thank you.

10790

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POLAND

BRITISH TRADE REPRESENTATIVE DISCUSSES ECONOMIC TIES

Warsaw RYNKI ZAGRANICZNE in Polish No 59, 16 May 85 p 4

[Interview with Roy Fletcher, chairman of the British economic mission, director of the Polish Section, London House of Trade and Industry, by Teresa Radziminska; date and location of interview not given]

[Text] [Question] The arrival of your mission in Warsaw proves that Polish-British economic contacts are not limited to rare, official high-level meetings. They likewise are comprised of a working exchange of views and information between the "main actors on the economic stage," if I may use the well-known phrase expressed by J. Stanovnik, former executive secretary of the EEC.

[Answer] The rebuilding of old contacts and the establishment of new ones was the primary purpose of our mission. Of the 15 persons making up our group, some, like me, have been coming to Poland for many years, while others are here for the first time. Although we do not plan to conclude any contracts during our stay, we expect our talks to lead to the future crystallization of new ties between Polish and British enterprises. The clear upturn in bilateral trade last year, when the value of our mutual trade rose by one-third, creates a favorable framework for our visit to Poland. This increase resulted primarily from the growth of Polish exports to Great Britain. The considerable decline in coal mining in Great Britain has enabled the increased export of this fuel from Poland to the British market. In 1985, Polish coal deliveries may decline to some extent.

[Question] On the basis of the personnel makeup of your mission, I would venture to say that you are more interested in selling to Poland than in buying from our country. Is this true?

[Answer] I believe one could say that. On the other hand, many of us, and especially those that are interested in tied-in transactions or exchanges, realize that conducting business in both directions is a good way to develop trade.

[Question] Perhaps the best way is to enter into coproduction ties, is it not?

[Answer] Undoubtedly, this matter should be considered, particularly in light of unused production capacities in Poland. However, this phenomenon is also occurring in Great Britain. Moreover, we also have tremendous manpower surpluses. For this reason, it would be difficult for British firms to go into production directly in Poland, engaging Polish workers in this production.

[Question] Let us return to your visit. Are you happy with its progress? Has the information you have gained been specific and exhaustive and have you had the opportunity to meet with the appropriate people in the government, at the PIHZ [Polish Foreign Trade House] and in industrial and trade enterprises?

[Answer] All of my colleagues maintain unequivocally that the program prepared for us by the PIHZ has been fully satisfactory. As chairman of the mission, I have held meetings with the president of PIHZ, the deputy minister of foreign trade, high-level officials of the Planning Commission, the minister of the chemical and light industry and the deputy minister of metallurgy and the engineering industry. It should be added that the visit of Lord Jellicoe, chairman of the British Office for Foreign Trade Affairs, to this year's International Poznan Trade Fair will be a kind of continuation of our bilateral contacts.

[Question] During the first working meeting at PIHZ I got the impression that the members of the mission are very interested in issues related to the economic reform in Poland. Now that you presumably have obtained much information on this subject, perhaps you would like to tell us whether you think that the reform now underway can have an impact upon Polish-British industrial-trade cooperation?

[Answer] I think that this impact can be a positive one, since, as the implementation of the reform proceeds, enterprises in Poland will operate in a manner similar to our own firms. This will facilitate bilateral understanding. At the same time, we ought to realize that this situation presumably will require greater efforts from us on the Polish market: in the future, we will have to deal not with one partner, as we often have done in the past, but with many enterprises operative in the sphere of international trade. Undoubtedly, the fact that we have come closer to the ultimate consumer and user of our equipment is for us a favorable aspect of the changes occurring in Poland.

[Question] Do you have any clearcut views on which subsectors of Polish industry are the most promising partners of bilateral cooperation?

[Answer] At this stage, it is difficult for me to answer that question. According to Zygmunt Krolak, PRL trade advisor in London, about 800 British firms are engaged in trade with Poland. Our mission represents only 15 of these. Undoubtedly, our talks in Poland have not covered the whole of the topic and all possible subbranches.

[Question] It is my impression, however, that both you and the other members of the mission have a very good understanding of our economic situation.

[Answer] Undoubtedly, we realize that over the next 5 years, capital spending needs in Poland will exceed funds, and our economic cooperation will have to focus on priority subsectors. Consequently, we await your new five-year plan with much interest. In any event, we believe that opportunities exist for us to cooperate towards improving the efficiency of existing enterprises and to work on small capital spending projects.

[Question] At the beginning of our interview, you said that the developmental trend of Polish-British trade transactions is positive. In view of the economic potential of both countries, however, do you not believe that the value of bilateral trade continues to be very modest? In your opinion, what are the major obstacles to the continued rapid development of trade?

[Answer] It is true that we are not overly pleased with the present level of bilateral trade. We remember that until recently, Great Britain was traditionally Poland's number one trading partner among Western countries. Now we find ourselves in second place, and the distance separating us from the partner that is currently the most important one for you is quite considerable. What we have done during the past few days in Poland may be defined as the accumulation of a vast capital of good will on your part towards developing economic relations with Great Britain. In one sense, this fact may be assessed in the context of the idea of the benefits accruing from a very diversified geographical structure of trade. With regard to obstacles, it seems to me that the major barrier in bilateral trade is a certain lack of funds for import on your part. Increased export, including an increase in the export of raw materials, should help you to acquire these funds.

[Question] Do you not believe that the time has come for Great Britain to change its attitude to Poland on the issue of credit policy?

[Answer] You are speaking to a businessman, not to a government official.

[Question] But this issue is related directly to business. The sale of machinery and capital spending goods, for example, generally takes place on credit.

[Answer] That is true. However, I think that the position adopted by the British government is not incorrect. When you arrive at an understanding with the Paris Club, the matter of granting Poland new credit will be able to be taken into consideration, in the opinion of the authorities. This was confirmed by our ambassador at today's meeting at the Ministry of Metallurgy and the Engineering Industry.

[Interviewer] Thank you for the interview.

8536

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POLAND

POZNAN FAIR ROLE IN FOREIGN TRADE EXPLAINED

Warsaw RYNKI ZAGRANICZNE in Polish 6, 8 Jun 85 pp 1, 2

[Interview with Dr Ryszard Karski, chairman, Polish Chamber of Foreign Trade, on the place of the Poznan International Fair in the development of foreign cooperation, on the occasion of the 57th fair, by PAP reporter Jan Cipiur: "Poznan International Fairs Are of European Importance"]

[Text] [Question] What sort of place do the Poznan International Fairs (MTP) have on the calendar of such fairs in Europe? One might say that Poznan's role as a place for merchants from various countries to meet is negligible, but do we have ambitions of some day coming up to the level of Hanover or Leipzig?

[Answer] The criteria used are the number of exhibitors and people attending, the amount of space taken by the event, the foreign parties involved in exhibiting their wares, and the extent to which contracts are arranged. The Poznan fair ranks second only to Leipzig as a commercial event in the socialist countries.

The Poznan fair covers about 130,000 square meters, and this space is sold out several months ahead of time. Usually about 4,000 exhibitors from about 40 countries participate in the fair. All the socialist countries of Europe are represented, as well as all the major countries of Western Europe. At the Poznan fair foreign exhibits account for 60 percent of the total display space, and this is a very high percentage. The contracts signed at the fair amounts to 8 percent of the annual turnovers of Polish foreign trade.

The Poznan International Fair is therefore a large, significant European event. It is undoubtedly the meeting place for merchants from various countries. Last year 12 percent of the exhibitors from the capitalist countries signed contracts with exhibitors from the socialist countries other than Poland, although the basic reason behind the Poznan fair, like that of all events of this sort throughout the world, is the promotion of the host country's exports. Nonetheless, at the same time, as at all trade fairs in the world, so too at the Poznan fair foreign exhibitors present their offerings from the viewpoint of the import need of the organizing country.

One gets the sense that in the strategy of many Western firms, especially capital goods companies, the Poznan fair is an important part of expansion on the markets

of Eastern Europe. Somehow this is a natural role of the Poznan fair. This role was very obvious during the period of detente. Now it is perhaps less evident. This is determined by the political climate, which is not the best at present, but there may be some slow improvement, and in addition our economy is becoming more stable. I personally feel that the Poznan fair's role will increase as a place for economic dialogue between East and West.

It is significant that the Poznan fair is an event with a history. This year we are celebrating its 60th anniversary as an international event. It was right in Poznan 60 years ago that the founding document of the UFI, the international fairs' founding organization, was signed.

Do we have ambitions of coming up to the level of Hanover and Leipzig? Perhaps not right away and not entirely. At any rate we would like the Poznan fair to help activate our exports, which must increase rapidly to insure Poland's economic health.

[Question] What sort of affairs are handled at the fairs?

[Answer] As I mentioned, at the Poznan fair contracts are signed for about 8 percent of the annual value of Polish foreign trade turnovers, but the overwhelming majority of the transactions have been prepared earlier and not in the course of the week, at any rate, because this is simply impossible. At the same time many other important business is taken care of here. Partners come here from the Ministry of Foreign Trade, Polish industry, and the Polish Chamber of Foreign Trade, along with heads of commercial offices and centers, and so on. This fair provides the opportunity to have a look at the level of cooperation, to get some "measure" of the year to come (especially since this is the middle of the year, and there is already material for analysis and preparations are under way for planning). For our partners the Poznan fair is excellent material for assessing the Polish economy. Many business people and economic activists find it useful to come to Poznan merely to have a look at this picture.

In recent years the fair's role was especially important in breaking down the economic isolation thrust on us by the Western countries. In 1982-1983 the representatives of Western governments (except Austria) did not come to visit, but business people and chairmen of chambers of trade and so on did. And the dialogue went on despite everything. The Poznan fair also provided us with the opportunity to get across the principles of the Polish economic reform. On the other hand, the reflections of important representatives of foreign economic circles provided us with information about a number of gaps, for example, in the work of Polish export-import firms.

[Question] What actually is the role of the fair in the modern trade world? Are they not on the decline?

[Answer] PIHZ subscribes to the calendar of world fairs, as it has for years, and from year to year it is getting thicker, not thinner. But the modern fairs do not have much in common with the old market bazaars. Today the information function predominates at the fairs. Today for the most part the fairs are laid out by branches of industry, an arrangement which makes it simple to compare the

offerings of various exhibitors and to become familiar with trends and developments in a given sector of industry and so on. In addition, some sort of marriage is arranged between science, and industry and trade at today's fair exhibitions. More and more frequently the exhibitors are scientific institutes and institutions of higher education. The fairs are also being expanded by accompanying activities, like scientific congresses and technical seminars and symposia. This too should be the direction of the development of the Poznan fair, because for several years now, one should note, there has been a special exhibition devoted to the offerings of Polish science.

[Question] The model of the fairs throughout the world has been changing. They are divided up into specialized exhibitions. Should we not follow this track carefully? We have positive experience from "Baltexpo," "Taropak," "Poligrafia," "Polish Furniture" (Polskie Meble), and so on.

[Answer] This is just what is happening: Alongside the main June event of the Poznan fair we are setting up more and more exhibitions and showrooms. You left out here "Salmed," Drema," the arts fairs, "Interrail," "Polagra-Agroexpo," the exhibitions located in places other than Poznan, "Simmex," and so on. At the present time the fairgrounds in Poznan are used ten times in the course of the year. We realize that there is a tendency towards specialization in the fair world, but it takes careful attention and a feel for things to create new fairs. You have to guess accurately whether or not something is worth it, and to what extent, because it would be worse to create events which would fall short of the hopes vested in them than to merely duplicate the status quo.

[Question] Who takes part in the Poznan International Fair? Do guests always predominate?

[Answer] The Poznan fair's "regulars" make up the decided majority of the exhibitors and people in attendance. Here is a list of participants who celebrated "jubilees" with us this year: Switzerland and Italy have participated in the Poznan International Fair for 50 years, and it was the 35th time for the FRG and Norway. Not long ago several other countries celebrated similar anniversaries with us: Czechoslovakia, the USSR, Great Britain, and France. On the other hand, companies from distant Third-World countries are sporadic participants in the Poznan fair. Guests, mainly from large companies employing more than 500 persons, continually predominate among the participants (making up 85 percent).

The Poznan fair is a European event in the sense that most of the countries on our continent regularly take part. We would like the share of the developing countries to increase each year, because cooperation with these countries should be one of the major factors in stepping up our exports, but progress in this area still fall short of expectations.

[Question] Recently the PIHZ [Polish Chamber of Foreign Trade] has been very active in contacts with its counterparts abroad. Could you give us some sort of measure of this activity in the context of the Poznan fair, for example?

[Answer] This active stance has always been important. In recent years it has provided an additional opportunity to fill the gap to a certain extent in the contacts with Western economic circles in a situation where dialogue at the government level was blocked. At present this situation is showing clear change, because there is a systematic renewal of official contacts, which after all we could foresee. The West is convinced that the policy of isolating Poland is not leading anywhere.

We shall continue to help PIHZ members, especially the new ones, in their contacts with Western partners, and the Poznan fair provides an excellent opportunity to do this. At the moment the PIHZ has nearly 1,500 firms on its list of members. Many of them have obtained import-export authorization as the result of the reform or are waiting for it. It is these firms in particular that need PIHZ's help in reaching potential trade partners. They are aided, for example, by an exhibition of export craftsmen set up under our auspices, by geographic sections' trade fair meetings, and by USSR economic cooperation clubs.

During last year's fair, our chamber received 20 important partnership delegations from socialist and Western countries. This year we are planning on contacts no less interesting.

10790

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POLAND

DROPS IN PRODUCTION, LABOR PRODUCTIVITY

LD121936 Warsaw Television Service in Polish 1730 GMT 12 Jul 85

[No video available; commentary by Adam Bronikowski]

[Text] Holidays, output, and labor productivity constitute the economic subject of the day. Unfortunately, alarming signals are reaching us from some industrial enterprises. [Bronikowski] It emerges from government analyzes that the growth in earnings in the first half of the year was disproportionately high compared to the results being achieved in industry. This increase was taking place even while a drop in production and labor productivity was recorded. For instance, the rate at which earnings increased in Koszalin Voivodship was considerably greater than the value of and increment in production. One third of the enterprises in that voivodship had lower production results in the first half of the year than in the same period last year. There is a similar situation in Suwalki and Siedlce Voivodships just to mention the most glaring examples.

What does this mean for us all? First, this means shortages in the supply of goods, particularly industrial goods. Second, there are pro-inflationary phenomena here because the torrent of money is clashing in the market with a shortage of goods. If wage pressures and not a productivity increase are becoming the method for improving living conditions then this road can only lead into a blind alley.

Of course, one should not generalize. There are many enterprises and whole industrial branches performing excellent work. Here the work forces and managements have managed to make up arrears thanks to considerable efforts. Wage increases are justified in that situation. But not everywhere, I'm sorry to say. Signals on the poor use of working time, about many additional days off in the first half of the year sound exceptionally alarming. And what will happen in this half of the year when many work forces are, after all, going off on well-deserved holidays?

What we are having to contend with here, and there is no point, ladies and gentlemen, in toying with polite phrases, is a happy-go-lucky and irresponsible attitude by many managements and self-management bodies and a deterioration in the organization of work and quality and waste. The economy cannot tolerate disrespect and neglect. We can feel the results of this and we are already feeling the results of this in the market which, after all, is a barometer of the economic situation when all is said and done.

ROMANIA

ACHIEVEMENTS IN RECOVERY, RECYCLING OF MATERIALS

Bucharest REVISTA ECONOMICA in Romanian No 24, 14 Jun 85 pp 4, 5, 8

[Article by Ion Gh. Badea, from the Ministry of Technical-Material Supply and Control of the Management of Fixed Assets]

[Text] The whole world today is talking about the industry for recycling materials as one of the most prosperous industries. Researchers in many countries in recent years have created new and efficient techniques which make the recycling of materials a profitable industry and make its system of organization a form for carrying out production on the principle of the active circular process, that is, total utilization of the raw material; the recycling industry has become a veritable "goldmine" of raw materials and, at the same time, is an effective antidote against pollution.

In Romania we see the consistency with which the party and Comrade Nicolae Ceausescu personally are seeking to achieve a radical change in attitude in the problem of the recovery and utilization of reusable materials, with their utilization being a vital requirement for the national economy. Until now research has finalized more than 120 new recycling techniques under efficient conditions; new production capacities have been built and put into operation on a priority basis for preparing, processing and utilizing reusable materials (capacities valued at 31 billion lei have been put into operation in the last 4 years alone). As a result of the measures taken, the volume of material resources recovered grew in the 1981-1985 five-year plan and new reusable materials were brought into the recycling process (see table).

Rise in Recovery of Main Reusable Materials for 1981-1985 Period

Reusable Material	Unit	Achievements				
		1981	1982	1983	1984	1985 Plan
Steel	tons	6,628,000	6,932,000	7,107,000	7,415,000	8,150,000
Cast iron	tons	773,000	822,000	856,000	880,000	880,000
Nonferrous metals	tons	73,000	98,000	108,000	122,000	131,000
Tires	units	1,227,000	1,660,000	1,715,000	2,624,000	3,073,000
Polyethylene	tons	3,300	4,800	14,700	18,900	35,000
Paper-cardboard	tons	229,500	266,400	272,000	285,600	347,000
Textiles	tons	63,000	79,500	77,600	84,200	111,700
Glass fragments	tons	85,000	124,000	127,600	129,000	180,000

The results obtained in this area in recent years prove that the recovery and utilization of reusable materials are in an important sector of activity, with the area it includes extending considerably in accordance with the needs of the national economy. As emphasized in the documents of the 13th party congress, this segment of economic activity must hold a more and more important place in providing the base of raw materials and materials, just be a stable and efficient alternative to the trends of rapid rise in prices of raw materials and energy in the world and of increasing the costs involved with the large-scale operation of deposits with lower content of useful substances and of emphasizing the limited nature of the material resources and new raw materials and so forth. In this context, the recycling of reusable materials is a basic factor in providing for the material-technical supplying of the national economy and for steady flow of production in all sectors of activity.

The programs of measures drawn up both at the level of the Ministry of Technical-Material Supply and Control of the Management of Fixed Assets as well as for each branch of activity territorially bring out the fact that Romania's economy has available large ferrous and nonferrous metal resources, chemical products, wood, textiles and leather goods, agricultural food substances left from the production and consumption processes, a portion of them not utilized fully. In this regard, the party's secretary general, proceeding from the general concepts of rational management and saving of resources, has stressed repeatedly the importance which the action of the recovery and reuse of materials has for Romania's intensive nature of development, the action of recovery and reuse of materials, dwelling on the need for fuller utilization of reusable materials and energy and the rise in degree of their recovery.

The successes recorded until now undoubtedly are important ones; however, they would be superior ones if some lack of synchronization had not been demonstrated in the activity of collection-storage-utilization-reuse. We have in mind the fact that in a number of enterprises, due to insufficient concern of the factors involved with administration of the valuable reusable material resources, there still is wasting of large sources for providing their own need or that of other units for raw materials and materials. It is well known that the national economy has available limited reserves of raw materials and energy, which once again requires intensification of concern with precise respect for all the legal provisions on whose base the entire activity of recovery and utilization of reusable materials takes place and for the fastest possible introduction of these resources into production circulation.

At the same time, some enterprises and industrial centrals still feel that the investments for recovery and utilization of reusable materials are of minor importance for the reason that they contribute to the production indicators with a low value; but the consequences of such an economic attitude are particularly serious in the recycling industry. For example, it has been calculated that the failure to build some of the processing capacities planned for 1984 and for the first 5 months of 1985 has had a negative effect on the material balances with resources which exceed several billion lei in value. Examples of these capacities may be given in the chemical industry (the installation for utilization of polyethylene waste at the enterprise for processing of plastics in Plen-ita), in the metallurgical industry (the sections for processing of metal reusable materials at the Galati Iron and Steel Combine.

In figures this translates into just 59 percent achievement for the area of total investments and 83 percent for construction-assembly, that is, a level of plan fulfillment for putting them into operation of 24 percent (nine projects out of the 37 planned). But for the economic units and the national economy as a whole, this situation means large reusable resources not being utilized, a lower degree of covering the requirements of the beneficiaries for production consumption, additional consumption and costs for obtaining new raw materials and even for obtaining some by importing them. That is why the higher party and state leaders have stressed the importance of reviewing the entire program of providing the economy with reusable resources, including the problem of investments being recovered, as a condition for providing a material base and having this process take place efficiently.

The tasks for recovery established for this year and the 1986-1990 five-year plan can and must be fulfilled under good conditions. It is important that each unit take measures to identify, sort, process and utilize all the categories of reusable materials and to work out and strictly follow up on the material balances which would keep an exact record of the quantities of raw materials utilized and those recoverable. At the same time, special attention must be given to faster finalization of research for some new techniques which utilize the reusable resources on a high level (pyrolysis of nonretreadable tires--there are in stock more than 2 million nonretreadable tires and more than 1,500 tons of rubber articles--and utilization of textiles with a greater content of polyester fibers and so forth). There are specific conditions in each sector of activity which require adequate, highly efficient measures:

In the area of reusable metal materials a decisive role is played by appropriate preparation of the entire quantity of old iron by reduction, pressing and bundling for the purpose of reducing the volume of transport and the consumption of fuels, energy and graphite electrodes; the organization of sections and management for the preparation, briquetting and delivery of boring dust; on-the-job selection of metal with a content of ferro-alloys so that these valuable resources obtained through imports are recirculated in the maximum possible proportion.

With regard to reusable materials in the chemical industry we have in mind intensifying the recovery of used plastics, reaching the utilization of more than 35,000 tons annually, while the use of retread installations at their full capacity is being sought for used tires as well as creation of new capacities in the Ministry of Transportation and Telecommunications, the Ministry of Agriculture and the Food Industry and the Ministry of Wood Industry and Construction Materials. With regard to used mineral oils (around 140,000 tons will be recovered annually), it is necessary for the enterprises which are big consumers of mineral oil in the Ministry of the Machine Building Industry, Ministry of Metallurgical Industry and Ministry of Transportation and Telecommunications to create their own capacities for reconditioning of used oils, realizing that the refining technique is a simple one; currently this technique is being applied with good results in the Brasov enterprises for tractors and trucks and the Bucharest Transportation Enterprise.

For building materials the move is to a large extent to be to utilizing ash from the thermoelectric power centrals, reaching more than 2.1 million tons, of which 35 percent is as an addition of cement and concrete. For this purpose it would

be timely for the Ministry of Electric Power and the Ministry of Wood Industry and Construction Materials to provide the necessary installations for loading and unloading of the ash from the thermoelectric power centrals and the products obtained from the means of transport.

With regard to reusable textiles, the increase in quantities of textiles used, together with better utilization of them by selecting the fabrics depending on thread, color and fiber composition, requires speeding up the assimilation of equipment for unweaving and spinning and putting them into production.

Special attention must also be given to the action of utilization of all parts and subassemblies resulting from the dismantling of machinery and installations through reconditioning and from the actions of current and capital repairs. The importance of this process and the need for amplifying the actions in this area result from the fact that this year 30 percent of the total need for spare parts must be provided by the reconditioning of used parts.

All economic units and Romania's entire population are being called on to participate in the entire process of collection, selection and utilization of reusable materials along with the specialized enterprises so that this action--organized and taking place at the level of commune, city, county as well as the country as a whole--has the highest possible efficiency, contributing to a greater extent to providing the national economy's needs for resources.

8071

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YUGOSLAVIA

DEMOGRAPHIC, OTHER FACTORS IN DETERMINING UNDERDEVELOPMENT

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 10 Jun 85 pp 24-25

[Article by Mihailo Mladenovic: "The Underdeveloped: Greater or Lesser Differences"]

[Text] In the several years of debates about the criteria for judging level of development the differences have not been overcome concerning the place of the per capita social product in the system of indicators for determining the level of development of the republics and provinces. The two opposed views have held fast up to this time. According to the one, it is the most important or only indicator for evaluating the level of development that has been attained, while according to the other it is only one of the relevant indicators of overall socioeconomic development.

The differing approaches to this indicator go to the heart of the policy of economic equality in our multinational community. If the first view is taken, then it necessarily follows that the postwar policy of more rapid development has completely failed. Instead of growing smaller, the per capita differences have increased appreciably. According to the second view, which sees the level of development as a totality of social, material and structural achievements, the differences have decreased significantly, which is in keeping with the efforts that have been made.

The first view is stubbornly insisted upon, and an effort has been made to legalize it, because of all the statistical parameters it is the per capita social product which shows the differences between the advanced and the underdeveloped regions in the most unfavorable light. Whether they do so consciously or unconsciously, they are thereby passing over in silence two essential facts: (1) that large regional differences in population growth and the effectiveness of development essentially deform the relationships in the level of development based on that indicator; (2) that all by itself the social product cannot express the impressive results of the policy of faster development: in changing the economic and social structure, in raising the level of employment, in augmenting the productive potential, in building modern transportation facilities, in expanding educational, cultural, health and other institutions, in improving the living conditions of the population, etc. All of these results, which have been achieved through the efforts of the underdeveloped regions and the extremely high solidarity of the working class and

working people of the entire country, are forgotten and only the per capita differences are constantly emphasized. This extremely oversimplified approach to the complexity of socioeconomic development is constantly reproducing assertions about the so-called lag and the widening of the gap.

In order to remove the veil from these assertions, we will briefly point out regional relations in demographic growth and economic efficiency as well as their influence on per capita relations.

Population and Level of Development

Appreciable regional differences in the principal demographic features are characteristic of Yugoslavia as a multinational country: in the birth rate, the rate of natural population growth, the age-specific composition, etc. Differences in the rate of natural population growth are close to the world extremes: they range from areas which are gradually approaching depopulation to those which lead the world in the birth rate, as can be seen from the following figures:

a. the rate of natural population growth per 1,000 inhabitants was as follows in 1982: 10.9 in Bosnia-Hercegovina, 12.7 in Montenegro, 13.4 in Macedonia, 25.8 in Kosovo, 5.7 in Slovenia, 4.3 in Serbia proper, 3.2 in Croatia and only 1.3 in Vojvodina (7.6 in Yugoslavia as a whole). The result of these differences over the period 1948-1981 (census years) was as follows: total population of the advanced regions increased 29 percent and that of underdeveloped regions 70 percent (Kosovo 2.2-fold). The share of the underdeveloped in the country's total population grew from 30.3 percent in 1948 to 36.6 percent in 1981. In no other segment of our development to date have there been such "abrupt changes" as in the share of the SR's and SAP's [socialist republics and socialist autonomous provinces] in formation of the total Yugoslav population;

b. the influence of the differing rates of natural population growth on the growth of the population is shown by the following figures: in 1982 Croatia had a 10.5 percent larger population than Bosnia-Hercegovina and a 2.8-fold larger population than Kosovo. However, Croatia's natural population growth in that year amounted to about 15,000 persons, which is one-third of what it is in Bosnia-Hercegovina (about 46,000), while that of Kosovo was 2.8-fold larger (about 42 percent). Other comparisons show similar relationships. Macedonia, for example, had a population 5 percent smaller than that of Vojvodina, while the natural population growth was eightfold larger (Macedonia about 26,000 and Vojvodina about 3,300), and so on;

c. to illustrate the influence of natural population growth on the growth of the population the following figures are also offered: if we start from the present relations in natural population growth, Yugoslavia would double its population in about 85 years, Bosnia-Hercegovina in 65 years, Montenegro in 60 years, Macedonia in 50 years, and Kosovo in 25 years. That period would be considerably longer in the more advanced regions: 120 years in Slovenia, 140 in Serbia proper, 175 in Croatia, and about 255 years in Vojvodina;

d. according to the figures of a demographic projection, the total population of the underdeveloped regions over the period 1980-2000 would grow about 35 percent (Kosovo 63 percent), while that of the advanced areas only 3.8 percent. The underdeveloped areas will have a share in the total population growth of about 84 percent (Kosovo nearly 30 percent), so that in the year 2000 their share in the total population of Yugoslavia will reach about 43 percent.

Regional differences in demographic trends, with all their economic, social welfare, political and other implications, are mainly evaded when the results of postwar regional development are being evaluated, especially when per capita indicators are used. Thus one of the greatest objective obstacles to equalization in per capita relations is the one least mentioned and respected in the debates we have had so far on the criteria for evaluating level of development.

In order to ascertain the influence of the demographic factor on the growth of relative per capita differences in the social product, the point of departure was the assumption that the rate of population growth would be the same in all SR's and SAP's over the period 1953-1982. This kind of computation, which is methodologically exact, makes it possible to break down the influence of demographic and economic growth on per capita relations.

Per Capita Social Product, Relative Relations; Current Prices

<u>Republics</u>	<u>1953</u>	<u>1982</u>	
		<u>Actual</u>	<u>At Same Population Growth Rate</u>
Yugoslavia	100.0	100.0	100.0
Bosnia-Hercegovina	82.0	73.6	80.9
Montenegro	59.0	77.8	82.2
Croatia	113.9	126.3	111.4
Macedonia	69.4	66.7	74.4
Slovenia	186.7	177.7	169.2
Serbia	88.8	91.3	92.4
Serbia proper	92.2	95.8	92.1
Kosovo	53.2	32.1	48.6
Vojvodina	97.1	126.2	113.8

A comparison of Column 3 with Column 2 shows the influence of demographic growth on regional relations in the per capita social product. The high growth of the population appreciably diminishes the per capita results of economic growth in all the underdeveloped areas: by 16.5 points in Kosovo, by 7.7 in Montenegro, by 7.3 in Bosnia-Hercegovina and by 4.4 points in Montenegro. At the same time, the slower demographic growth exaggerates those results in the more advanced parts of the country--to the greatest extent in Croatia and Vojvodina (14.9 and 12.4 points, respectively). When the influence of population is eliminated, then in 1982 the level of the underdeveloped would reach 74.6 percent of the national average, that is, it would have improved by two points over 1953. The level of the advanced would have fallen

one point and would stand at 11.8 percent above the national average. It is not a valid assertion, then, that the growth of per capita differences is the result of the slower economic development of the underdeveloped regions.

A comparison of Column 3 with Column 1 shows the influence of the nominal growth of the per capita social product on regional relations. In Bosnia-Hercegovina, Croatia, Slovenia and Kosovo its growth has been somewhat slower than the national average, so that in 1982 these regions were slightly below the 1953 level, especially Slovenia. In Montenegro, Macedonia and Vojvodina above-average rates of economic growth were achieved, which facilitated appreciable improvements of their relative position. Serbia proper kept up with the general development trend and therefore its level remained unchanged by comparison with the national average. The preliminary figures show rather clearly to what extent the more rapid growth of population diminishes the effects of the resources invested and of economic growth. Since the economy of Yugoslavia does not possess the investments which could offset the more rapid growth of the population of the underdeveloped areas, we must free ourselves of the apparent perceptions and self-deceptions we have had up to now as to the drop in per capita differences. In this regard we should bear in mind the following thought of K. Miljovski: "To speak about the development of the underdeveloped countries and to omit from the analysis the influence of demographic expansion is to abandon the sphere of scientific analysis and to move over onto the field of vulgar, demagogic and political propaganda."

Studies done by economics institutes in Ljubljana, Zagreb and Belgrade have pointed to the difficulties that exist in the underdeveloped regions and that are standing in the way of reducing the per capita differences. Unfortunately, in the debates so far there has not been sufficient willingness to respect the results of that scientific research.

Reducing relative differences in the per capita social product can objectively be anticipated as a lasting trend only when the share of the underdeveloped in the country's total population begins to decline. This long-term process will be taking place at differing rates from region to region.

Level of Development and Efficiency

In our context the social product also overestimates per capita differences because of significant regional differences in economic efficiency. If these differences are to be realistically presented, we need to objectify the social product so as to make it possible to compare all the republics and provinces on an equal footing. The methodological procedure for this computation is the assumption of the same efficiency of social resources throughout the entire country.

Per Capita Social Product in 1980, Relative Relations; Current Prices

<u>Republics</u>	<u>Actual</u>	<u>Objectified</u>
Yugoslavia	100.0	100.0
Bosnia-Hercegovina	68.2	75.4

Table (continued)

<u>Republics</u>	<u>Actual</u>	<u>Objectified</u>
Montenegro	80.4	93.0
Croatia	128.5	119.9
Macedonia	64.9	76.7
Slovenia	190.9	176.7
Serbia proper	94.4	92.5
Kosovo	31.7	41.9
Vojvodina	121.4	123.1

* The computation was done for 322 business subgroups, 184 of them in industry, which can be assumed to be operating under the same conditions. This method of objectification pays maximum respect to differences in structure of fixed capital by SR's and SAP's and to the influence of the measures of the system on economic performance in various activities, branches and groupings. The computation was done for 1980 because the extensive conversions had been done for that year on the basis of data from year-end statements.

The following are evident from these figures: (1) that the per capita differences between the advanced and the underdeveloped, if the effectiveness of development were the same, would be considerably smaller than they are actually shown; (2) that the available productive potential of the underdeveloped is untapped to a considerable extent, and if it were utilized more fully, it would be shown that these regions have reached a considerably higher level of development than shown by the actual social product. E. Kardelj in fact expressed that idea in the Brioni discussions. One thing he said was that in spite of the growth of the differences over time, in the course of that same development conditions are being created whose fuller utilization will demonstrate that the development of the underdeveloped has been much faster than it now appears when we measure it solely in terms of the momentary differences in national income.

After 40 years of intensive development differences in economic efficiency can no longer be treated as a phenomenon that accompanies underdevelopment. They are an expression of subjective shortcomings in establishing the directions of development, in the way resources are used, in the productivity of labor, etc. Unless economic efficiency is raised in the underdeveloped regions, as indeed throughout the country, we cannot anticipate that they will develop faster and achieve economic equality. Continuation of the extensive mode of development, which sees economic progress exclusively in the construction of new facilities, regardless of their price, construction time, production costs, the securing of a market, competitiveness in exports, and so on, does not result in an actual acceleration of their development. On the contrary, neglecting the existing economy and its potential aggravates still more the development problems of these regions as indeed of the entire country.

Respecting the Established Patterns of Development

The unacceptability of the practice to date of evaluating the results of the policy of faster development and of relations in level of development was

pointed out in the Political Platform issued by the LCY Central Committee on Kosovo. It paid particular attention to the question of reduction of differences in level of economic development. By contrast with political statements of principle in the past, the platform contained specific commitments as to the way of resolving this complicated socioeconomic issue. Because of their importance we will quote the following two positions in their entirety:

"If the level of development is viewed in a broader sense, Kosovo has achieved greater results than shown by the statistics on the per capita social product. In view of the historical changes which have been accomplished, in the period which has passed Kosovo has been developing the fastest in our country.

"The task of reducing differences in level of development cannot be reduced solely and above all to the amount of resources which are to be furnished through the Federal Fund.... Socioeconomic development depends on a number of factors: on the volume of resources, on the population trend and growth, on investment efficiency and labor productivity, on the structure and orientation of economic development, etc. All of those components can contribute to reducing differences and must be borne in mind, they must be operated upon."

These political positions, which also apply to evaluation of the results of development of the underdeveloped republics, make it possible to get beyond the present controversies about ascertaining the level of development. They show above all that reduction of per capita differences can no longer be interpreted as a political dogma. In this area as in others respect must be paid to the objective economic, demographic and other patterns which determine the potential for and limits of development. Planning practice to date has already persuaded us countless times that changing reality does not depend on wishing it to be so. That is, for almost three decades Yugoslavia's plans have set the goal of reducing per capita differences, and then always noted in analyses on their fulfillment that the goal has not been achieved and that the differences have increased. That constant discrepancy has been passed over without the minimum of critical analysis, which has given the impression that it is a question of the "egoism" of the more advanced in setting aside resources to stimulate development.

It is a particularly important position that relations in level of development cannot be established solely on the per capita social product. The level of development is a multidimensional category and therefore must be viewed in a broader sense, as a unified process of structural and functional changes in all areas of life and work. If the results of development are examined in a comprehensive way, as the totality of social and material achievements, then one cannot speak about the lag of regions which have developed the fastest in postwar development, much less of a widening of the gap.

If we are to get out of the blind alley in examining the criteria of level of development, we must dispel the myth about the social product. That requires above all an analysis of demographic growth and the effectiveness of development and of their influence on per capita relations. That analysis should make it possible to relate the examination of the level of development to the causes which have brought about the relations that exist. Insisting only on

the differences, without entering into an analysis of their causes, leads to subjectivism and the posing of unrealistic goals. Every agreement or political convention on this issue which does not examine the objective economic processes and inevitable pattern which occur in this area will be temporary in nature. When the next medium-term plans are adopted, this will be "climbing up onto our back" once again.

7045

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YUGOSLAVIA

JOINT BENEFITS OUTLINED OF DANUBE-TISA IRRIGATION PLAN

Belgrade KOMUNIST in Serbo-Croatian 12 Apr 85 p 11

[Article by Branko Krstin: "Agricultural Challenge"]

[Text] The Future of Yugoslav Agriculture scientifically proved estimates show that it is possible, even by next year, to begin realizing the common interests of our whole community--food production around the "Danube-Tisa-Danube" system.

According to common sense it could have been concluded long ago that it is incomparably cheaper to learn in school than from one's own mistakes. Regrettably some need to beat their heads against a wall in order to understand that it is no longer possible to go on this way. For instance, in the last few years we followed the strange logic of developing wheat production in "our own area," although it is taught even in grammar school that "bread grains" can produce yields two to three times larger and with smaller investments in the grain-producing areas of our country. Similar economic logic is also valid for other basic agricultural production. Nevertheless, according to the data of the Federal Committee for Agriculture, funds planned for per-hectare "intervention in agriculture" in 1983 were in SAP [Socialist Autonomous Province] Vojvodina 0 dinars; SR [Socialist Republic] Croatia 33; in SR Bosnia and Herzegovina 1,043; SR Serbia (excluding provinces) 1,696; Macedonia 1,853; Montenegro 2,068; Kosovo 3,466; and SR Slovenia even 6,792 dinars.

Even worse, further possibilities for increasing food production on the basis of genetics and contemporary scientific farming methods in which we have made extraordinary leaps in this economic branch have already been almost exhausted. Therefore, it is no wonder that agriculture is not managing any more to achieve high growth rates, but is even stagnating; and this has strong negative consequences on the market and provokes an increase in prices.

Should more important changes in agricultural policy not occur on the levels of the federation, republics, and provinces, our country would face great difficulties by the end of this century, because demand for agricultural-food products would grow 0.15 percent faster than supply. If we do not assume the necessity for a disproportionate increase in food exports, and the need to

provide certain amounts for reserves, during the next 15 years the average food deficit would be 25 percent, which would bring us to the "threshold of hunger," and cause an extremely high price increase for these products. Agriculture would become not only a generator of inflation, but our exports would become quite uncompetitive in a few years. It is almost impossible to predict the severity of the consequences that would appear in the whole society.

Where are the solutions?

Presuming that our society finally comprehends the difficulties into which we are sinking, we can expect to pass at last from words to action. The abundance of "material proof," opinions, and conclusions on all levels must now be translated into concrete activity, above all, in accordance with the Long-range Program of Economic Stabilization. And this document, as is known, proceeds from the fact that the realization of our possibilities in regard to the necessary growth of food production should be connected to expanding the irrigation system.

From all 244 billion cubic meters of water which we have at our disposal on average every year, we use for irrigation only 0.9 percent. With a mere 1.8 percent of the arable land under irrigation systems which we do not fully use, we are almost at the bottom of the European scale. After us there are only three countries that have a larger volume of precipitation. At the same time, approximately 11 percent of European countries, 15 percent of the world, and 20.5 percent of our nearest neighbors irrigate their arable land from streams or lakes. Our lag surely cannot be justified by extremely good distribution of rainfall. On the contrary, in Vojvodina as many as 51 years out of 100 are dry. It is more likely that the reason for such a situation is the unequal position of agriculture for years in relation to other branches of the economy. One estimate of the Federal Committee for Agriculture shows that on only 100,000 hectares in the "Danube-Tisa-Danube" hydrosystem irrigation could bring another 200,000 tons of wheat, about 1.3 million tons of corn (of which 900,000 tons of alfalfa, 120,000 tons of vegetables, and 50,000 head of cattle. In this way there could be achieved, with relatively less investment than in other regions of the country, not only greater use of processing capacities and increased employment, but larger exports by about 100 million dollars would also be secured. Depending on the crops, production would increase by between 31 percent, and 77 percent compared to present dry farming in the territory of Vojvodina, which achieves considerably higher yields than other parts of the country, anyway.

"Danube-Tisa-Danube"--the model for joint investment

The results of the newest research at the Institute for Agricultural Economics in the Faculty of Agriculture in Novi Sad--reported last week at the conference on "Joint Interests in Food Production in the 'Danube-Tisa-Danube' System"--not only proved the justification of the orientation defined in the Long-Range Program of Economic Stabilization, i.e., that the potential of the "Danube-Tisa-Danube" hydro-system should be activated to

the maximum, but also pointed to the economic advantages of joint investments from our entire society based on firm scientific data. In this way there would continue the realization of the idea, already 35 years old, according to which on the basic 930 km long canal network the irrigation systems would be connected first on 100,000 hectares by the end of this decade, and then on all 510,000 hectares by the end of this century.

As this conference showed, all estimates confirm that from 50 billion dinars, or 500,000 dinars per hectare, the least expensive unit of new production in our country can be obtained. Above all, because 47 percent of the arable land is already in the possession of socialized organizations positioned around the basic canal network, it is not necessary to spend money on the redistribution of fields and land, which would be necessary in other regions. Immediately nearby are food-processing facilities, as well as many navigable routes which make possible inexpensive transport of bulk agricultural products. And a great advantage is the wealth of experience, organization, and close ties with science on the part of the agricultural organizations which border the DTD canal. For the realization of this phase of the program for providing food in the DTD system, as written in the Recommendations of the conference, which was organized by the Federal Committee for Agriculture, the Secretariat for Agriculture of the SAP Vojvodina, and the SOUR [Complex Organization of Associated Labor] DTD, the funds would be provided by the SOUR DTD and the agroindustrial complex of the SYP Vojvodina, then by the SAP Vojvodina and other interested republics and the SAP Kosovo, as well as by interested organizations of associated labor, including the tourist economy, large consumer centers, investments from abroad, etc. The same document suggested to the Federal Executive Council that it be the initiator of a social agreement to stimulate the self-managed pooling of labor and resources on the basis of shared income, and it was suggested to the Economic Chamber of Yugoslavia, as well as to the chambers of the republics and the provinces, that they begin concluding self-management agreements on joint programs of food production in the framework of the DTD systems. In that way, joint investment in food production around the DTD hydrosystem should also become a special model for similar pooling of labor and investments in other areas of the economy that are important for the whole country.

Work for Present and Future Generations

In activating the irrigation system around the DTD canal, one of the biggest projects of this kind in the world, new pages are opening in the long history of food production in our country. It will be possible to apply present and future scientific knowledge in relatively short periods of time. It will be possible to verify in action the assertions of many Yugoslav and foreign experts who believe that from the extraordinarily fertile fields of Vojvodina it is possible to produce food not only to satisfy the needs of our country, but to satisfy a population several times larger. It is a debt of the present generation owed not only to itself, but also to those who are yet to come.

This is not only an attractive program of desires, but a well-argued and scientifically-proven principle of food production, which can begin to be

realized next year. Of course, it will be necessary that society undertakes corresponding measures which are normal when it is a question of such large investments. In fact, irrigation is a special infrastructure of industrialized food production, which is impossible to create only on the basis of the market relations of interested organizations. That is why it is necessary that society enact stimulative measures, because only in that way is it possible for society to take advantage of its outstanding wealth, which has already waited 35 years to be realized.

With the realization of this grand enterprise our country would acquire real possibilities of increasing food production in an optimum way and proving all the advantages of our socialist self-management system, which builds its economic and development policy on the broadest community of economic interests.

12946

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YUGOSLAVIA

BELGRADE ECONOMIST DISCUSSES CAUSES, OUTLOOK FOR DEBT CRISIS

Belgrade INTERVJU in Serbo-Croatian 10 May 85 pp 8, 10-12

[Interview with Dr Ljubomir Madzar, professor at the School of Economics of Belgrade University, by Dragan Tanasic: "What Good Is Science to Someone Who Knows Everything Already?"; date and place not specified]

[Excerpts] Ljubomir Madzar, professor at the School of Economics of Belgrade University, differs from the numerous Yugoslav economists who have so far interpreted the causes of the social crisis in that he asserts that it has never been definitely proven that the economic system in Yugoslavia has been efficient since the war. Not even in the period 1952-1962, which many of his prestigious colleagues have referred to as the "golden" period of prosperity.

[Question] At a recent meeting on the causes of the crisis held in the Serbian Academy of Sciences you said that we have "obsured" an awareness of our inefficiency even with the unrealistic parity of the dinar.

[Answer] I do not think I was the only one. Many of my colleagues have pointed out in the past that our dinar has been overvalued over most of the postwar period. Prof Bajt insists that the overvalued national currency has so disturbed relations in the economy and the system of valuation that even the planners have not had accurate notions of what has actually been happening in the economy. Bajt, for example, believes that all foreign economic flows in 1980 should be multiplied by the factor 1.8 in order to obtain quantities comparable with domestic economic aggregates. Even when that is also taken into account, one barely gets the right idea of the extent that we have been living on foreign resources.

[Question] How, then, do you interpret the statements made a year ago that we would get out of the crisis in a year or two?

[Answer] I simply would not like to comment on those statements. Instead I would say that according to the most recent calculations and taking into account the effects of the overvalued dinar and the undervalued dollar, the outflow of interest alone is absorbing some 10 percent or so of our social product. And it is evident that by and large we are only capable of paying the interest, at least at present. We have even proclaimed that a great success of our economic policy. However, the repayment of credit will be a very

difficult and very slow process. In my opinion, we can confidently count on a high debt burden up to the end of the century, and perhaps even beyond.

[Question] Emil Pintar, director of the project "Slovenia's Development up to the Year 2000," said in an interview for our newspaper 6 months ago that the credits we took under very unfavorable terms and conditions would pile up so much interest that up to the year 2000 we would have to pay back a total of at least \$80 billion.

[Answer] I assume that his assumption was that the interest would be accumulated and added to the principal.

[Question] Of course....

[Answer] I myself made a similar calculation in 1980 as part of the project "Conception of Yugoslavia's Long-Range Development." I even got some figures on the size of the total debt up to the year 2000 which exceeded \$140 billion! And when I brought those results to the director of the project, he refused to accept them, he did not want to believe anything of the kind, although I thought that my premises were rather realistic.

[Question] The figures are truly improbable. What were the premises you based your computation on?

[Answer] On the assumptions that we would continue to take new credits and that the credits would pile up in the meantime.... As you know, those assumptions have not been borne out, the situation has changed drastically: the foreign bankers will no longer grant us new credits.... Now they are not even insisting on obtaining the principal, but only the interest, since the principal is well-placed so long as the interest is paid. And as far as I can see that is in fact our policy: it is assumed that we will leave the principal more or less untouched and we will reduce the servicing of the debt mainly to paying the interest.

In the Institute of Economic Sciences we have been working on certain projections for the next 5-year plan, and we had one variant that the debt would be cut in half by the year 2000.

[Question] From what sources, in view of the shattered and inefficient production we have?

[Answer] Even I did not believe that we would have an easy time of it. By far the largest part of the burden would fall on consumption and the standard of living, but there remains the big question of whether that would be supportable.

[Question] According to the letter of the State Presidency to the Yugoslav Assembly, last year we returned only \$30 million of the principal, although the obligations which came due were far greater than that.

[Answer] True. Our principal has by and large remained untouched. As I said, I do not believe that it could be easily repaid, and even if it were repaid, that would require such a drastic and rigorous economic policy that today it would be difficult even to imagine. It is particularly difficult to imagine such a policy in our system of complicated and slow decisionmaking, which also relies over too broad a front on the consensus of all the republics and provinces.

[Question] Is there anymore untapped potential in consumption in view of the fact that the social services have already been brought to the verge of a kind of disability with respect to the quality of services both in health care and education as well as in certain other cultural institutions. Personal incomes have also been reduced to the subsistence minimum. There remains only government expenditure. Initiatives have been taken in some republics for reducing expenditures for the armed forces. The only question is to what extent such proposals are at all acceptable. And when all of that is borne in mind, what room is there at all for further reduction of consumption?

[Answer] Well, it is difficult to say. Although I must also remind you of a Montenegrin saying: "God save us from what we can stand." Think it over yourself; who of us could have thought 5 years ago that we would fall to this level of income and that we would accept it and learn to live with it? Often people are not aware how much they can stand and how much they can sacrifice.

[Question] That means that you believe that it is possible to reduce consumption further without causing very profound social upheavals?

[Answer] I say that the possibility should not be precluded that there will be further cuts in consumption and that possibly something might be accomplished on that basis. However, even I myself am very skeptical that the principal of our debt can be cut in half in that way. We in the Institute of Economic Sciences in Belgrade simply did not want to see what our economy would look like if it took on that great strain of cutting its foreign debt in half. Now we are working on a new variant in which the principal of the debt would be left untouched.

[Question] Kosta Mihailovic, Branko Horvat and many other economists have nevertheless been arguing in their studies that the total capital coefficient over the period 1957-1961 was considerably lower than later.

[Answer] The capital coefficient is only one of the indicators. It did indeed rise in the later periods, and the efficiency of capacity dropped because of the republicanization and chopping up of our economy, because of the duplication of unnecessary capacities and so on. But the fact that efficiency dropped after 1960 by no means proves that it was high before that.

[Question] If everything was as you say, then why was nothing said about that in good time?

[Answer] In an underdeveloped society even economic thought could not have been very highly advanced, nor prepared for that kind of question. Nevertheless, at least 10 fundamental studies were written on that subject. In spite

of those analyses and in spite of the drastic deterioration of the economic system, the system has remained inflexible to all those warnings. There are several factors involved in that, but the first is fundamental in nature: in a social system in which political power is so extremely concentrated in the hands of very small circles, in which political criteria for decisionmaking dominate in all spheres of life, including the economy, in a society in which the vote of politics outvotes all the others--including the votes of science--it is difficult to imagine that optimum decisions could be made....

[Question] What do you mean by "political criteria"?

[Answer] I assume a voluntarism which is manifested in the use of the available resources, without objective mechanisms for evaluation and allocation. It is a system, for instance, in which signals from the market play no role whatsoever, while political deals constitute the alpha and omega of all the key national decisions, a system in which a politician's value is measured in how many billions of dinars he could attract to his own region.

... The second thing I would like to emphasize is that neither then nor later was a mechanism built up in distribution of income that would stimulate enterprises to generate and save capital. From the moment when government control was removed from the distribution of income, personal incomes have risen without control. They have burst like an explosion and caused a cost shock in the economy.

[Question] The siphoning of socially owned property into private property is being debated at this very time. A rising rate of crime is being spoken about in the same context. Can that phenomenon be analyzed independently of the features of the system?

[Answer] Of course not. The system has directly encouraged such developments. After all, if the government is not concerned about the generation and saving of capital, if appropriate mechanisms have not been built in the economic system for the formation of capital, then it is logical for it to be siphoned off into personal income, that is, to cease to be savings. There is a similar situation with respect to the financing of working capital. Instead of the system making it possible for savings to be regularly used for working capital, it has been entirely oriented toward borrowed working capital. Thanks to that mechanism the economy has been dependent upon credit and has been constantly funded by the government and the banks.

Third, the system at that time did not come close to offering an opportunity for development of the private sector. Yet it is certain that in that kind of economy there were segments which could have developed much more efficiently in that sector. I consider that rigorous restriction of every initiative in the private sector and the fear of "enrichment" a terrible ideological blindness which has driven away more than a million industrious and able people to build something for someone else instead of their own homeland. Some people seem not to have grasped the consequences of that act. Seduced by the money orders they send back, these people have not even reflected on the kind of emotional and other human dramas those people of ours have gone through

abroad. After all, regardless of how well they work, they are only second-class citizens there. The problem of their social integration is a painful one both for them and for the countries in which they are living and working. That is why many people did not anticipate the readiness of those countries to take numerous measures, including financial support, so that the foreigners would go back to their homelands.

[Question] You say that ideological blindness has caused great damage to development of the private sector. Many people, however, feel that its consequences are still greater in the legal system.

[Answer] I also agree with that assessment. What is more, I feel that the legal system is the open wound of our society. This can best be seen from the cases of illiquidity and nonpayment in the economy. Wherever the legal system is not appropriate and sufficiently strong, there is no economic system either, since the economic system also consists of laws, rules and regulations which have to apply equally to everyone.

[Question] The sociologist Zoran Djindjic says that for years we have been applying party penalties instead of legal regulations (which ought to apply to everyone). However, one class of people in the political elite were beyond the reach of those party penalties....

[Answer] That was another factor producing an irrational attitude toward risk. After all, if there are no consequences of the decisions which are made, then decisions are taken without great thought, and large losses are the ultimate result. That is why I would like to emphasize once again: in a legal system in which you can get away without paying your debt and in that way damage the person with whom you do business, while you yourself survive and go on functioning normally, in that kind of legal system the economic system cannot be efficient either. When a contract is not a contract, when an obligation is not an obligation, when a bill of exchange is not a bill of exchange, then there is no order, that is chaos.... Good economic management cannot be assured in that kind of system.

[Question] Do you see the reasons for the present situation in that area? According to the figures recently reported mutual domestic debt of our enterprises is even larger than the foreign debt, amounting to about \$22 billion.

[Answer] Yes. I think that that is clear to any literate citizen of Yugoslavia.

[Question] To what extent can the phrase "Everyone should be remunerated according to his work" be productive? I ask this because in the petroleum industry, say, the debts and losses are the largest, but the earnings are among the highest in the country.

[Answer] It would, of course, be logical for their earnings to be in keeping with the conduct of their business. To be sure, their economic position also depends in part on factors beyond their control. In principle economic responsibility for the decisions taken should increase in direct proportion to

the power of decisionmaking. That principle has not been built into our system, and we have thus encouraged idleness and an irresponsible attitude toward social capital entrusted to work collectives. With that system we have made it possible for the inefficient and irresponsible to actually plunder those who are efficient and responsible, and that without any sort of social penalties, without any sort of consequences. That is especially dangerous today when the rate of inflation is about 60 percent, that is, when it is rising 5 percent every month. It is enough for someone to be 2 months late in settling his debt for him to have actually reduced it by 10 percent in real terms. In that kind of situation everyone has an incentive to postpone payment as long as possible, to settle it as late as possible.... And now, if he can do this without consequences, he will certainly do it, which then amounts to encouraging mutual theft and robbery.

[Question] When the politicians speak about economic difficulties, they often explain them in terms of disproportions in development. Doesn't it seem to you that this phrase is euphemistic, that something else is hidden behind it?

[Answer] A while back I said that working capital and inventories were being financed with credit rather than through formation of capital. Accordingly, as soon as you have made it possible for economic entities to get by without orienting themselves to the market, to neglect the signals of supply and demand and to produce goods which do not interest anyone, then they will pile up those goods and inventories and cover them with credits. That is exactly the way in which socially unnecessary production has been perpetuated, and the existing resources have been squandered mercilessly.... And we have the politicians referring to the results of all that as "disproportions in development." Yet for me those disproportions bear a different name--mistakes in investments. After all, disproportion is not when the manufacturing sector develops at the expense of heavy industry.... In Switzerland, say, that sector is incomparably more advanced than in this country, and they have hardly any heavy industry at all. Much the same is true in Japan, but that still does not bother them a bit, nor do they have economic difficulties. In our country the disproportions are only mistakes in investment policy which have brought about a configuration of capacities which cannot survive economically.

[Question] Try to briefly round out the definition of that essential reason of the inefficiency of our system.

[Answer] There is nothing more to add here. This is political voluntarism, and it is in its nature not to pay much attention to science. Science insists on certain objective inevitabilities and facts, which also signifies that it presupposes certain restrictions on political action. Political voluntarism, however, does not put up with any sort of limitations, or at least wants to have as few as possible. It simply has no need for science. Even without science it "knows" what is good for society. "Its future is well known," as Kundera says, "it has already taken place." That is why it is not surprising that 4 years after the revolution, together with several countries, we are where we were before the war: a part of the underdeveloped, stagnant and truly melancholy hinterland of Europe.

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CSO: 2800/364

YUGOSLAVIA

REAL INCOMES CONTINUE TO DECLINE

AU292000 Belgrade BORBA in Serbo-Croatian 21 Jun 85 p 5

[Report by M. Petkovic]

[Summary] "Belgrade, 20 Jun--The real decline in personal incomes has not stopped since 1979." In the first quarter of this year the average personal income was 29,207 dinars, which was a 3.1 percent reduction in real terms. The average income in Slovenia at the end of the quarter was 36,325, in Kosovo 23,317, and in Macedonia 22,071 dinars.

"According to the Social Accounting Service of Yugoslavia, stocks of finished goods on the last day of March increased 98.3 percent in comparison with the situation a year ago. It is superfluous to stress that tremendous sums of money are frozen in these stocks, and this money is very much needed by associated labor." The share of the economy's own funds in working capital decreased from 16.9 percent at the end of the year to 15 percent on 31 March this year. Payments of loan interests increased by a factor of 2.6 in the year to 31 March.

Inspectors have not yet confirmed that interest payments and handling costs have been passed on in higher prices which "in the past few months have been, so to speak, escalating to one's heart's content." The spending of immigrant workers when they come home for vacation has also not been properly investigated. It probably adds to the demand for some goods.

"It remains undefined where the money comes from for not so cheap winter vacations and the coming summer vacations. After all, a considerable number of our citizens travel abroad; student trips, shopping tours, and the like are organized. All in all it is undisputable that the sources of credit are closing up, but it is quite certain that some of the taps still leak money in the form of spending in advance."

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END